

JPRS 80163

23 FEBRUARY 1982

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2234

FBIS

FOREIGN BROADCAST INFORMATION SERVICE

NOTE

IPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by IPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given, unless noted otherwise.

The content of this publication in no way represents the policies, views, or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

IPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the IPRS number, title, date and author, if applicable, of publication be cited.

Current IPRS publications are announced in Government Reports Announcements, issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

For advice pertaining to matters other than procurement, contact should be made with the Joint Publications Research Service, 1215 North Glebe Road, Arlington, Virginia 22201.

23 February 1982

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2234

CONTENTS

CZECHOSLOVAKIA

- Legalization of Private Crafts, Maintenance Urged
(Antonin Jakes; NICHOTAPSKÉ NOVINY, 22 Jan 82) 1

GERMAN DEMOCRATIC REPUBLIC

- SED Program Focuses on Improving Agricultural Production
(Various sources; various dates) 2
- West German Analyst, Horst Lantrecht
Agriculture Minister Kuhrig Address
Chemnitz Discusses Organizational Changes
Agricultural Academy Research Discussed, by Erich Ruebensam

HUNGARY

- Regulators Viewed as Helping Defeat Economic Progress
(MISZAKI FLEET, 13 Nov 81) 30

POLAND

- Price Reform, Compensation Discussed by Panel
(GOSPODARSTWO, 24 Jan 82) 32
- Impact of Cost, Prices on Economy Reported
(GOSPODARSTWO, 12, 13 Jan 82) 48
- Impact of Cost, Prices on Economy Reported, by Ryszard Bilski
Imperative Need for Change, by Krzysztof Krauss
- Brief:
Quarterly Plan Changes 56

YUGOSLAVIA

Economist Horvat's Views Summarized, Disputed (Slaven Letica; START, 19 Dec 81)	57
--	----

LEGALIZATION OF PRIVATE CRAFTS, MAINTENANCE URGED

Prague HOSPODARSKE NOVINY in Czech 22 Jan 82 p 4

[Letter-to-the-editor by Antonin Jakes, Jilove u Decina: "Green Lights for Moonlighting"]

[text] It is a known fact that for many years we have been searching for and experimenting unsuccessfully with ways to improve maintenance and other services. But even at the independent serviceman level we have to look for profitability. I do not intend to engage in polemics as to what is a small or large retail enterprise. We certainly are all aware that the least expensive way to obtain services is to have a workshop with minimal overhead. And so it occurs to me, that what is needed is to create favorable conditions for small workshops (for example, MNV [Local National Committee]) without complicated administration but with availability of the requisite materials. Those workmen who would be willing, after their full-time employment, to offer their services on the basis of a MNV authorization, should be given consideration, and we should offer them conditions that would make such activity attractive to them. We have to realize that when regular services are not available it only provides incentives for unauthorized services. But what is a consumer to do if he unavoidably needs such services and cannot provide them himself? And that even to prevent large damage such as that due to neglected maintenance of a house or apartment, etc. Then the customer must be thankful to the unauthorized serviceman who offered his needed services at all even if one has to pay for them dearly.

When I mentioned building maintenance, in many cases it is left unattended to the extent that a building construction enterprise must make repairs at very high costs and so little would really be needed to extend a building's economic life.

All this forces us to ask: Is it better to take advantage of the person willing to do the work in his free time or continue to suffer through the existing conditions and the unhappiness of the citizens?

CSG: 2490/140

SED PLFNUM FOCUSES ON IMPROVING AGRICULTURAL PRODUCTION

West German Analysis

West Berlin DIW-WOCHENBERICHT in German Vol 48 No 49, 3 Dec 81 pp 575-581

[Article by Horst Lambrecht, German Institute for Economic Research (DIW), West Berlin: "GDR Agriculture: Pressure to Increase Yields in Crop Production." Translations of the addresses to the Third SED Central Committee Plenum by Heinz Kuhrig and Johannes Chemnitzer, cited in footnote 1, and of the article by Prof Ruebensam, cited in footnote 10, follow this analysis. A translation of the interview with Prof Hans-Joachim Liste, cited in footnote 7, is published as part of a report under the heading, "Independence From Grain Imports Seen as Long-Range Goal," in JPRS 78869, 31 Aug 81, No 2166 of this series, pp 16-37]

[Text] The focal point of the Third SED Central Committee Plenum in November 1981 was agriculture.¹ As a consequence, the discussion of problems concerning the development of yields and the organization in this area, which began as early as the end of the 1970's, received special attention. Of particular urgency is currently the increase in the yield of crop production, above all, grain. The reason for this is the fact that the GDR depends quite heavily on animal-feed imports--grain and albumin concentrates. Grain imports, which during the 1970's averaged more than 3 million tons annually, are a strain on the GDR balance of trade with Western industrial nations, which is already running a deficit. Consequently the GDR leadership is pursuing an important goal in agricultural policies, a step-by-step reduction in the import of grain until it finally--by increasing domestic production--becomes superfluous.

Production Processes in Large Enterprises...

The agricultural policy of the SED is built on the concept of the socialized, industrially producing large-scale enterprise. This goal was realized consistently --yes, rigorously. Since it is a matter of fact, the agricultural policy of the GDR--following land reform and collectivization--has been in its third phase of development since the end of the 1960's: the establishment of an industrialized agriculture. An important step in this direction was the complete separation of crop and animal production.

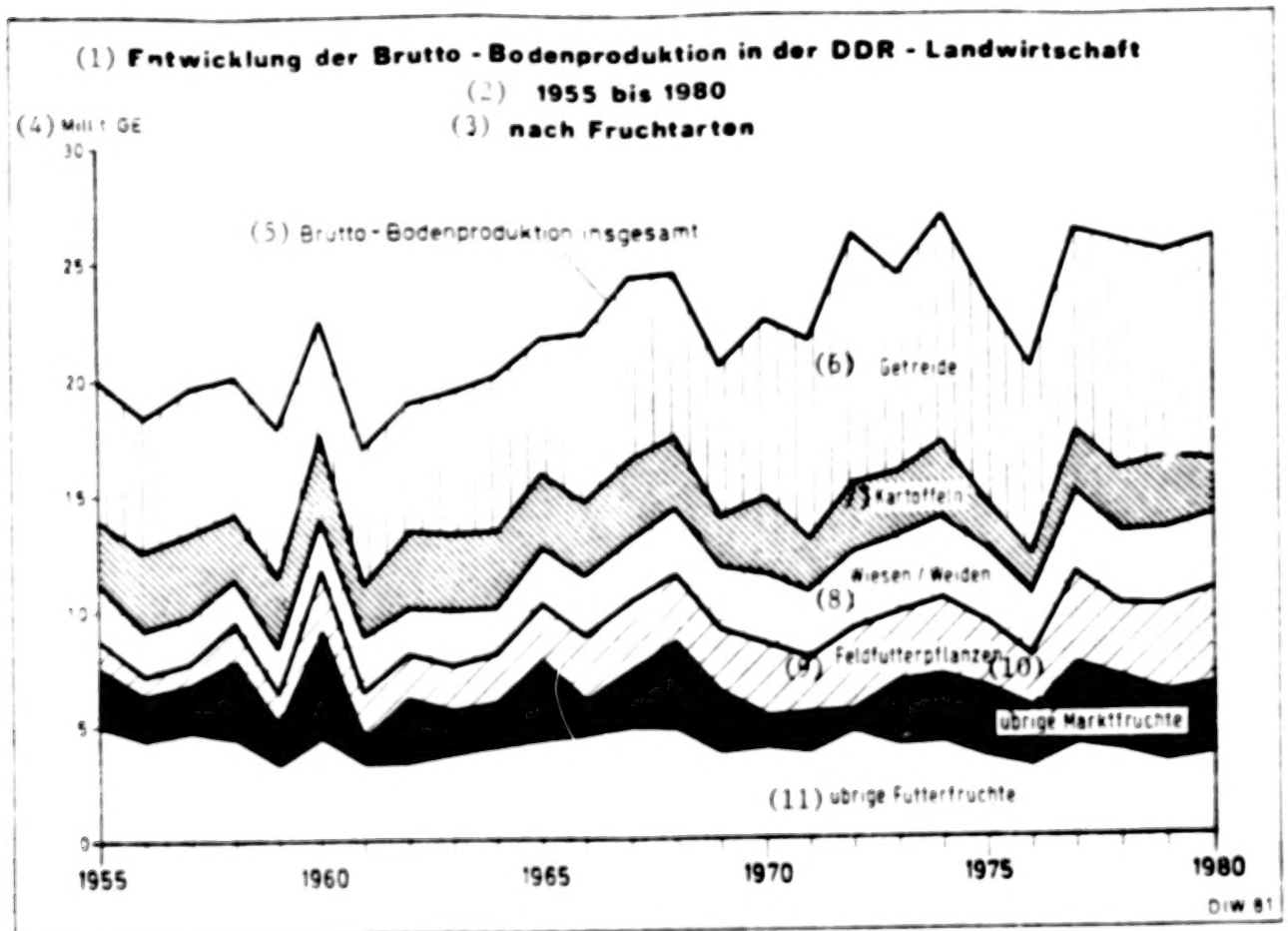
At the present time field management in the GDR is concentrated on approximately 1,200 enterprises,² the average size of which is around 4,800 hectares. Today the most important enterprises in field management are the specialized agricultural producer cooperatives of crop production, the LPG's (P). In 1980 they cultivated nine-tenth of the land operated by cooperatives. The rest had been organized into cooperative crop production departments, KAP. The KAP were formed during the first half of the 1970's by establishing separate groups for crop production within the former LPG's--which were organized according to a well-rounded production program--and they were conducted on the basis of cooperation between enterprises. Later, especially between the years of 1975 and 1979, most of the KAP became independent and they were transferred to specialized agricultural producer cooperatives.

The extent of concentration and the tempo of structural changes can be demonstrated with the following figures: Whereas in 1955 there were still more than 800,000 enterprises with an average acreage of 8 hectares, in 1965 the average size of LPG's was 360 hectares, and by 1980 the average size of crop-cultivating enterprises--again--increased more than 13-fold.

Until recently GDR agrarian politicians proceeded according to the motto: "The bigger the better and the more specialized the better." This belief has apparently been shaken. There are more and more indications that the rigorous separation of crop and animal production as well as the size of enterprises is now being judged more critically. Experiences confirmed that reservations had always been expressed by practitioners and scientists: Specialized enterprises did not meet expectations with respect to cost-effective production, and cooperation between crop and animal production was not functioning adequately. As a consequence, "an improvement in the relationship between cost and yield" was pronounced a crucial task in the new Five-Year-Plan. Furthermore, in the meantime agrarian politicians have apparently become willing to consider or even implement certain consequences--above all those that are of an organizational nature.³ At any rate, it is evident from the course of the Third SED Central Committee Plenum in November 1981. The politburo report contains the following statement: "We will now have to examine the results, viewing the present and the future to determine what proved to be useful and what did not," it is important to reduce transportation costs, to create closer connections between production and the village and to use the advantages of "territorial production departments or brigades." Before the Third SED Central Committee Plenum a few measures and discussions could still be interpreted as a slowdown of the industrialization process. Now, however, it seems apparent that this process will be stopped--at least temporarily.

...Only Insufficient Increases in Yield

The Development of crop production in the GDR is showing a long-term positive trend: It applies to soil performance in general, the so-called gross soil production; but it also applies to most cultivated crops.



Key:

1. Development of gross soil production in GDR agriculture
2. 1955 till 1980
3. According to crop variety
4. Million ton grain units
5. Total gross soil production
6. Grain
7. Potatoes
8. Meadows / pastures
9. Field animal-feed plants
10. Other marketable crops
11. Other animal-fed crops

The gross soil production is the total of all crop products (original production of crops) in relation to the areal unit; it is measured in grain units (GE) and computed in decitons (dt) per hectare of arable soil (LN). The figure increases from an average of 30.6 decitons of grain units per hectare of arable soil for the years between 1956 and 1960 to 39.4 decitons of grain units per hectare of arable soil between 1976 and 1980. During the course of the second half of the 1970's,

The fact that the development in yield in crop production did not meet expectations is evident when one looks at the planned goals of the expired Five-Year-Plan. Accordingly the yield per hectare was to be increased to between 46 and 48 decitons of grain units by 1980. In reality, last year's production reached 41 decitons of grain units, and it was even one of the best harvest's in the history of GDR agriculture.

Brutto-Bodenproduktion in der DDR-Landwirtschaft

Key:

1. Average for the years
2. Crop varieties
3. In million tons of grain units

4. Grain
5. Potatoes
6. Meadows and pastures
7. Field animal-feed plants
8. Special products and other marketable crops
9. Other animal-feed crops
10. Gross soil production, total (in decitons of grain units per hectare of arable soil)
11. Share in percentages
12. Gross soil production, total = 100
13. Fruit
14. Vegetables
15. Wine
16. Hop
17. Tobacco
18. Hemp-straw
19. Legumes and oil plants
20. Sugar beets
21. In-between crops
22. Feed root crops
23. Straw and turnip leaves
24. Excluding flowers
25. Ornamental plants
26. Seeds
27. 1964 and 1965 excluding corn
28. Sources: Statistical yearbooks of the GDR; statistical yearbooks of CEMA; INTERNATIONALE ZEITSCHRIFT DER LANDWIRTSCHAFT (various years); Horst Lambrecht: Agriculture in the GDR before and after its restructure in 1960. Special edition of the DIW, No 117, 1977; calculations and estimates of DIW.

By far the most important crop production in the DGR is the cultivation of grain. The current agricultural area is approximately 2.5 million hectares; grain production takes up 40 percent of the arable area or 53 percent of the farmland; the average harvest for the last 5 years (1976-1980) produced slightly more than 9 million tons of grain and 1.8 million tons of grain units of straw, which means that almost 44 percent of the entire crop consisted of grain.

During the 1970's cultivated areas producing grain increased slightly. There were also changes in the composition of grain production itself and, as a matter of fact, it has been going on for some time. Whereas earlier rye ranked higher than barley and wheat, in the meantime it has slipped to third place. Today barley is the most important variety of grain cultivated in the GDR, wheat is second. The main reason for favoring the growing of barley and wheat is the higher yield potential, although the production of rye offers advantages based on its modest requirements when it comes to soil conditions and climate as well as fertilizers and protection from harmful elements, and considering the composition of the arable area in the GDR there are certainly locations that require this kind of crop.⁵

At the present time more than 90 percent of the cultivated areas used for growing grain produces the three major varieties of grain. Oats can be found today only

on 5 percent of the production area for grain cultivation. During the middle of the 1950's almost 20 percent was used for growing oats. This development can be traced to the strong decline in the number of horses due to mechanization.

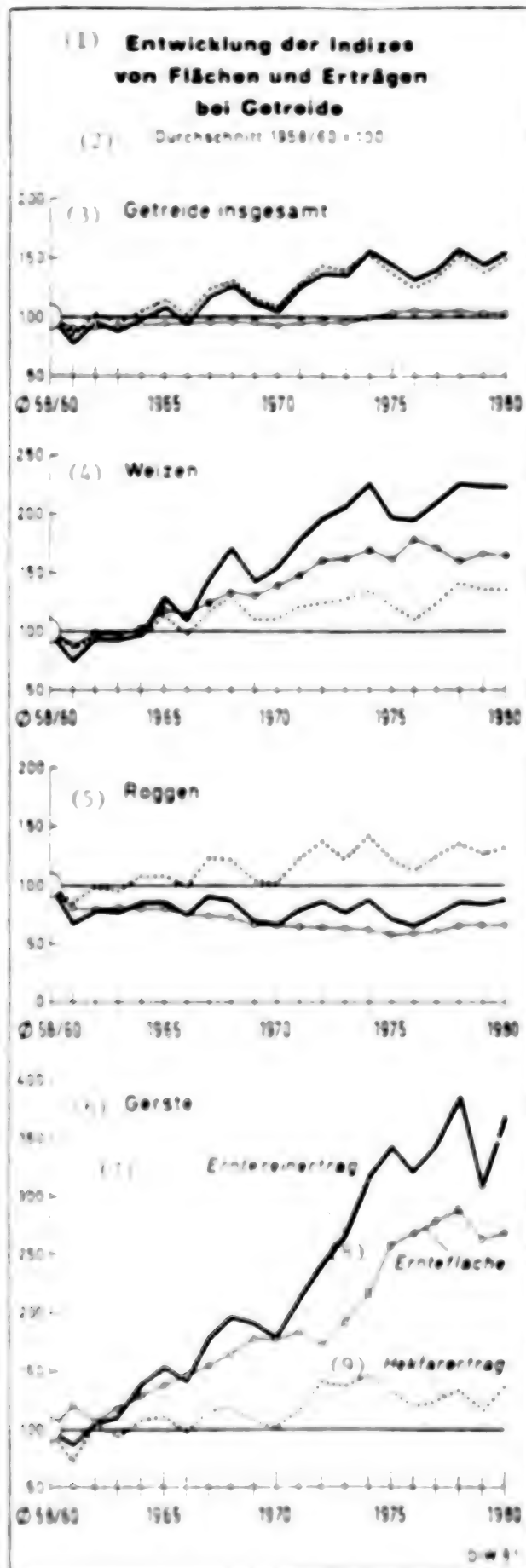
In contrast to green and silo corn, the cultivation of which was forced excessively at times, kernel corn is still insignificant in GDR agriculture, although it already offers relatively high and most effective nutritional yields per arable unit and although its cultivation is favorable from the viewpoint of crop rotation. Kernel corn, which is adaptable to the climatic conditions in the GDR, has not been cultivated to date and it has not been acquired by importing seeds either.

11. Struktur der Getreidefläche und -ernte nach Getreidearten in der DDR

1. Durchschnitt 1950-1960	2. Weizen (3)	3. Roggen (4)	5. Gerste (5)	6. St. des Getr. (6)
a. Fläche				
(1) in 1000 ha				
1950	140	10	10	10
1955	140	10	10	10
1960	140	10	10	10
1964	140	10	10	10
1965	140	10	10	10
1966	140	10	10	10
b. Ernte				
(2) in 1000 t				
1950	140	10	10	10
1955	140	10	10	10
1960	140	10	10	10
1964	140	10	10	10
1965	140	10	10	10
1966	140	10	10	10
c. Nettoertrag				
(3) in 1000 t				
1950	140	10	10	10
1955	140	10	10	10
1960	140	10	10	10
1964	140	10	10	10
1965	140	10	10	10
1966	140	10	10	10
d. Nettoertrag				
(4) in 1000 t				
1950	140	10	10	10
1955	140	10	10	10
1960	140	10	10	10
1964	140	10	10	10
1965	140	10	10	10
1966	140	10	10	10

Foot:

1. Structure of grain area and harvest according to varieties of grain in GDR
2. Average during the years
3. Wheat
4. Rye
5. Barley
6. Other grains
7. Harvest area
8. Share in percentages; grain, total = 100
9. Harvest, net yield (share in percentages; grain, total = 100)
10. Oats, summer grain as well as--except for 1964 and 1965--kernel corn
11. Source: Statistical yearbooks of the GDR



Key:

1. Development of indices of areas and yield for grain
2. Average 1958/60 = 100
3. All grain
4. Wheat
5. Rye
6. Barley
7. Harvest, net yield
8. Harvest area
9. Yield per hectare

Between 1958/60 and 1980 total grain production increased by approximately 1.9 percent annually, primarily because of the increase in yield per hectare. A considerable component was the structural change in grain cultivation--change from low-yielding grain varieties (rye oats, mixed grain) to high-yielding varieties (wheat, barley).⁶ On the average, however, the yield per hectare stagnated between 1976 and 1980 when compared to the preceding 5 years.

After grain the most important positions in crop production go to field animal-feed crops, meadows and permanent pastures as well as potatoes. When combined, their average for the last 5 years--like grain--amounted to 37 percent of the total of gross soil production (see table). Among field animal-feed crops, clover and alfalfa as well as green and silo corn carry the heaviest weight.

There has been a slight long-term increase in the significance of meadows and pastures--measured by the gross soil production: Until the middle of the 1970's it was the result of an increase in areas, since then the yield per hectare has been raised.

The trend of agricultural policies is to aim at reducing grassland. Practitioners, however, are resisting a conversion from grassland to farmland, apparently because it requires more labor. Particularly the expansion of sugar beet cultivation has been unsuccessful, although the sugar beet is superior to other varieties of crops with respect to its nutritional performance per hectare and an increase in its production is an essential source for the improvement of feed supplies from domestic sources.

Declining Yields...

A superregional comparison shows that areal productivity in GDR agriculture is still below the level which has been reached by the FRG--although prewar yields were almost the same. The lag in productivity--based on the figures of gross soil production--even increased slightly over a long period of time: In comparison to the FRG, the average for the years between 1956 and 1960--which are the 5 years preceding full collectivization--was 90 percent; the trend was marked by strong fluctuations and a gradual decline, and the average for the years between 1976 and 1980 was only slightly more than 80 percent. Absolute figures put the difference in yield at 3.3 decitons of grain units per hectare of arable soil for the years between 1956 and 1960, and during the last 5 years the average rose to 7.8 decitons.

The decline in yields varies a great deal according to the individual crops. Compared to the FRG, yields for grain were lower by between 10 and 15 percent per hectare. Potatoes and sugar beets reached prewar results only in a few instances --in spite of considerable increases in fertilizer; today's yields per hectare are more than one-third below those in the FRG (cf. table).

There are various reasons why crops in GDR agriculture yield lower results. In part they have existed for a long time; some of them arose at a later date. During the 1950's, low yields were primarily attributed to a lack of available mineral fertilizers. At the present time, however, the GDR agriculture has at its disposal three times as much nitrogen as it did in 1959/60, and the use of phosphoric acid per hectare of arable land is twice as high. Current applications

of nitrogen exceeds those in the FRG by one-fifth. The use of potash and lime has always been higher in the GDR than it is in the FRG. By international standards, today's agriculture in the GDR is again highly fertilizer-intensive.

(1) Ausgewählte Hektarerträge im Vergleich
DDR - Bundesrepublik Deutschland

(2) Fruchtart	(3) im Durchschnitt der Jahre					
	1955- 1958	1956- 1960	1961- 1965	1966- 1970	1971- 1975	1976- 1980
	(4) DDR in Dezitonnen je Hektar					
(5) Getreide, insgesamt	23,9	24,8	25,8	24,8	26,1	25,8
(6) dar. weizen (7)	28,4	31,2	31,5	34,5	40,7	41,7
(8) Roggen	12,5	21,1	21,2	23,7	24,8	27,1
(9) Gerste	27,0	28,9	29,5	31,4	41,4	37,9
(10) Kartoffeln	192,3	171,3	145,7	181,4	170,8	174,6
(11) Zuckerrüben	301,7	262,5	243,7	313,4	279,7	268,7
(12) Futterrüben	463,4	455,7	479,5	629,7	526,7	541,7
(13) Klee und Luzerne ^{3, 4}	55,5	60,8	61,4	69,3	77,1	81,0
(14) Wiesen und Weiden ³	47,9	42,9	42,9	51,2	55,5	49,7
	(15) DDR in % von der Bundesrepublik					
(5) Getreide, insgesamt	87	87	87	88	92	85
(6) dar. weizen (7)	116	98	95	94	91	89
(8) Roggen	97	80	80	74	79	74
(9) Gerste	116	98	98	94	101	91
(10) Kartoffeln	105	75	67	68	60	63
(11) Zuckerrüben	95	90	65	77	63	54
(12) Futterrüben	116	96	59	76	64	58
(13) Klee und Luzerne	87	88	88	88	99	117
(14) Wiesen und Weiden	89	74	72	74	67	97
(16) in den abgebauten Gebieten, bei Getreide und Kartoffeln einschließlich Zuschlag von 10 % zur amtlichen Zertifikatsmengen						
(17) 1964 und 1965 in der DDR ohne (18) neuwert						
(19) 1. Ab 1969 einschließlich Kleegras (20) Bundesrepublik, Bundes-						
(21) Flächen (22) innerer Anteil von Grünmasse						
(22) Quellen: a. Statistik der Produktionen, Leistungen der Landwirtschaft der deutschen Staaten im Vergleich, in: Jahrbuch 5 1978, Berechnungen des DIA aufgrund der Angaben in den Statistischen Jahrbüchern der DDR, den Statistischen Jahrbüchern über Ernährung, Landwirtschaft und Forsten sowie dem Statistischen Jahrbuch 1981 für die Bundesrepublik Deutschland.						

Key:

1. Selected yields per hectare, comparison between the GDR and the FRG
2. Crop variety
3. Average for the years...
4. GDR in decitons
5. Grain, total
6. Among them
7. Wheat
8. Rye
9. Barley
10. Potatoes
11. Sugar beets
12. Feed beets
13. Clover and alfalfa

Key continued

14. Meadows and pastures
15. GDR as a percentage of FRG
16. Comparable areas; for grain and potatoes 10 percent have been added for official harvest estimates
17. 1964 and 1965 excluding kernel corn in GDR
18. Value of hay
19. Beginning with 1969 includes clover grass
20. FRG: Mangel-wurzel
21. Converted from green stuff
22. Sources: K. Merkel: Comparison of sectorial production performance in agriculture in both German states. In: FS-ANALYSEN 6/1974; computations by DIW based on figures in statistical yearbooks of the GDR, statistical yearbooks for food, agriculture and forestry as well as the statistical yearbook 1981 for the FRG.

On the other hand, biological-technical progress in crop cultivation is inadequate. It applies in particular to crops like potatoes, which deteriorate easily. In cases like this one, the availability of better quality seeds would certainly increase yields noticeable. Apparently another significant factor is the influence on soil performance caused by damages relating to crop rotation.⁷

It must not be underestimated that efforts have been unsuccessful to adhere to the most favorable timetable from the agrotechnical point of view with respect to planting, cultivation and harvesting in field management. In this connection the minister for agriculture mentioned that "a high degree of agronomic discipline" must be implemented.⁸

In part agrotechnically right periods are also missed because of the bad condition of agricultural machinery depots. Since the machinery is not serviced and maintained adequately, it is often in need of repair; bottlenecks in the supply of replacement parts and in repair capacities frequently prevent repairs from being completed on time.⁹

Furthermore, on account of the collective work arrangement in connection with the large-dimensional and highly specialized production units, the GDR agriculture is not sufficiently able to adapt the use of labor organizationally to biologically limited and weather-related working conditions. Indeed, this economically disadvantageous fact is the drawback of the social goal to improve working and living conditions for the rural population (regular working hours and vacation time, 8-hour day).

A cause which gaining increasing significance for the unsatisfactory condition in yields is the bad composition of the soil, above all, the neglect in the management of humus. It is especially noticeable when it comes to potatoes and sugar beets, because they react particularly strongly to defects in soil culture; grain, on the other hand, is less demanding in this respect and is still able to produce a satisfactory harvest when sufficient commercial fertilizers are added.

Last but not least, in addition to mistakes in crop rotation, the deterioration of the soil can be attributed to the lack of organic fertilizers. This, in turn, is in large part a result of the change-over to liquid-manure management and the

simultaneous separation of crop and animal production. Many of the valuable organic substances, above all straw, are not returned to the soil or, as is the case with liquid manure, it is not used sensibly. Particularly critical is the constant accumulation of liquid manure during times of "fast crop growth" in late spring or summer and there is not enough space to put it and not enough storage facilities are available. The fact that the GDR agriculture has not been able to deal with the problems of liquid-manure management has apparently led to a certain change of mind: Now large animal facilities are again built on the basis of straw manure.¹⁰

The importance of soil fertility for increasing crop production has been pointed out on various levels in the GDR.¹¹ The enterprises had to prepare "programs for the rational use of the soil." Humus management, which has now been rediscovered, and the importance of organic fertilization¹² are now occasionally pictured graphically or metaphorically: For instance, frequently the "chain" is mentioned--soil, plant, animal, soil" and it is emphasized that "an exemplary humus management" is "the calling card of a good LPG."¹³

...Require Animal-Feed Imports

Of all the primary crops, in other words, the gross soil production in the GDR, in recent years approximately two-thirds were used for animal feed. With respect to grain, the portion of the available amount used for animal processing products is also about two-thirds. The share of potatoes used for feed also fluctuates--depending on the harvest--between one-fourth and one-half of the production.

Since the number of animals in the GDR is high, i.e. the number of animals in relation to the area of arable land--like the FRG--is depends on imports of crop products for its agricultural processing industry. More than one-fifth of animal feed production is based on imported food."¹⁴ A large amount of specific food consumption in animal husbandry increases this need for imports.¹⁵ Import dependence exists for feed grain and albumin concentrates, in other words, energy food.

Grain imports by the GDR developed in the following manner (quantities in annual averages):

--1960 till 1969: 1.85 million tons

--1970 till 1979: 3.24 million tons

--1976 till 1980: 3.5 million tons

The highest quantities were 4.8 million (1976) and 4.2 million tons (1980).

The problem of grain imports for the GDR has become much more pronounced because of price increases in recent years and because of the fact that the GDR can acquire these goods only in the West. Consequently animal-feed imports have in the meantime developed into a foreign trade problem. In 1980 the value of feed grain imports amounted to between 15 and 20 percent of all imports from the West. For the economic leadership of the GDR it is apparently a dramatic situation: "Today's grain problem ranks in seriousness with the petroleum problem."¹⁶

Increase in Yield a Key Problem

"The most effective use of soil and the increase of its fertility" is "one of the key questions" for the agriculture of the GDR. "The most crucial point for the

realization of the economic strategy of the 1980's in agriculture is the increase in crop production and especially in animal-feed production."¹⁷ As a result, grain and animal-feed imports are to be reduced and eventually eliminated.¹⁸ It remains questionable, however, whether and how this problem, which is a burden on the GDR economy, can be solved.

According to the directive to the 1981-1985 Five-Year-Plan grain production is to amount to at least 10 million tons. The goal is to reach yields of between 39 and 39.5 decitons per hectare. Compared to the average for the years between 1976 and 1980, it is an increase of approximately 10 percent. Larger increases in yields per hectare are expected for potatoes (between 14 and 20 percent) and sugar beets (between 12 and 19 percent). Until 1985 the total yield on crop production is to rise to between 43.2 and 43.7 decitons of grain units per hectare of arable soil. Compared to the average of the last 5 years, it is an increase of between 9 and 10 percent. During the Third SED Central Committee Plenum the figures that were mentioned were even higher. Compared to earlier performance projections these production goals must even be considered modest. But considering the current conditions in GDR agriculture, it will not be easy to reach these goals.

At any rate, the productivity per acreage envisioned by 1985 will not suffice to make the GDR independent of grain imports. The extent to which they will succeed in reducing this dependence will also depend on a rational animal-feed management, i.e. a reduction in the specific feed consumption in animal husbandry. To be sure, available reserves are not insignificant, but possibilities for their mobilization are apparently overestimated. It is unlikely that animal-feed imports by the GDR will be below the level of the 1970's by 1985.

Corrections in Agricultural Policies?

In contrast to most socialist countries and according to international standards, the agriculture of the GDR produces at a high level, and with respect to the quantity of food supplies for the population, the GDR is certainly on a comparable level with Western countries. Nevertheless, the agricultural policy of the GDR is currently undergoing an examination. What has become evident so far is that--especially for foreign-trade policy considerations--the domestic sources as much as possible. There is a certain determination, especially for ideological reasons, to stick to the goal of establishing an industrialized agriculture. In view of increasingly difficult economic conditions during the 1980's and certain functional weaknesses in the current production procedures, it has apparently been decided to make a few downward adjustments in the realization of these goals and, as a matter of fact, at least certain exaggerations will be withdrawn. At the present it is not clear whether this will also lead to a revision in current projections about the size and degree of specialization of enterprises under "industrialized production methods." It is also uncertain whether the controversial separation of crop and animal production will be relaxed. At any rate, the "territorial production organization" which was brought up for discussion is still without outline.

Nevertheless, it is probable that there will not be a return to the agrarian constitution of the 1970's, one reason is political credibility. The Farmers Congress which has been scheduled for May 1982 should give additional information about the direction of the agricultural policy; originally it was expected that an answer to the questions facing agriculture would be supplied during the Tenth Party Congress in April 1981.

FOOTNOTES

1. Cf. especially the politburo report to the Central Committee (Reporter: Erich Honecker) and the discussions contributed by Heinz Kuhrig, minister of agriculture, and Johannes Chemnitzer, first secretary of the District Directorate of Neubrandenburg. In: NEUES DEUTSCHLAND, 20 and 21/22 November 1981.
2. Excluded are horticulture enterprises as well as those producing fruits and vegetables, the total of which is about 300 units.
3. "In a few cases the LPG's that were established by us through division are too big." J. Chemnitzer, op. cit., p 10.
4. "Assuming similar conditions, yields in crop production fluctuate by approximately 10 decitons of grain units per hectare of arable soil." Werner Felfe (politburo member in charge of agricultural problems) in NEUES DEUTSCHLAND, 18 June 1981.
5. Horst Lambrecht and Konrad Merkel in cooperation with Wolfgang Steinbeck: "Consumption and Production of Agricultural Products in the GDR--Analyses and Predictions," published by the FRG minister for food, agriculture and forestry in the series LANDWIRTSCHAFT--ANGEWANDTE WISSENSCHAFT [Agriculture--Applied Science], No 240, under the title of "GDR-Agrarpolitik," Muenster-Hiltrup, 1980.
6. Cf. Lambrecht, Merkel, Steinbeck..., op. cit., p 61.
7. In an interview with the LAUSITZER RUNDSCHAU, 18 June 1981, for instance, Prof Hans-Joachim Liste, director of the department of Crop Production at the Martin-Luther University in Halle-Wittenberg, explained that a "10-percent increase in yield could be achieved for rye alone if crop rotation were applied correctly in all areas and if simultaneously all other necessary agricultural measures were followed properly."
8. Kuhrig commented: "The work day and the work rhythm must be adapted to the special conditions of crop and animal production; because it is important to carry out the work in the field and in the stable at those times when the highest yields and best results are guaranteed. It has always been this way in agriculture and it will remain so." Cf. NEUES DEUTSCHLAND, 21/24 November 1981.
9. These problems were addressed in detail during the Tenth SED Party Congress; cf. NEUES DEUTSCHLAND, 12 and 18/19 April 1981.
10. Again and again damage to the soil is also caused by the use of some very heavy machinery. Prof Ruebensam, president of the Academy of Agricultural Sciences, recently demanded "a decrease in pressure on the soil to reduce structural damages to the farmland." (Cf. BAUERN-ECHO, 6 November 1981, p 6.) Minister for Agriculture Kuhrig even suggested that machinery be built which, among other things, would "cause less pressure on the soil." (Cf. NEUES DEUTSCHLAND, 21/22 November 1981.)

11. General Secretary Honecker and Minister Kuhrig raised this point during the last Central Committee Plenum. Also Werner Felfe emphasized the importance of this task in the middle of 1981, cf. NEUES DEUTSCHLAND, 18 June 1981, p 3.
12. Of late the advantages of pasture feeding for the raising of cattle has again been propagated and wherever circumstances permit, attempts are made to send cattle back to the pasture rather than feeding them in the stable. During the Tenth Party Congress a warning was sounded to strike the words hay and pasture from the vocabulary (cf. NEUES DEUTSCHLAND, 15 April 1981, p 6). During the Third Plenum, General Secretary Honecker criticized the backwardness of grassland management: "To date grassland has not been used sufficiently in our country. To be sure, a few things have happened in the meantime, but the current state is not satisfactory. Many farmers are saying that with respect to pasture management and hay production we did better in the past" (NEUES DEUTSCHLAND, 20 November 1981, p 5).
13. Cf. NEUER WEG. Supplement to No 12, 1981, p 464. NEUES DEUTSCHLAND, 18 June 1981, p 3 and BERLINER ZEITUNG, 22 June 1981, p 3
14. Calculations by Konrad Merkel (Technical University, Berlin). "Imported arable soil" as a part of the entire food production amounts to between 15 and 20 percent.
15. Cf. Lambrecht, Merkel, Steinbeck..., op. cit., p 133.
16. Cf. NEUES DEUTSCHLAND, 20 November 1981, p 5. Honecker emphasized already during the Tenth Party Congress that grain imports and problems of crop production had in the meantime become a question "of the international class struggle between socialism and imperialism." This statement, which is doubtlessly an accurate assessment on the international level, is certainly not only based on hard facts of quantity statistics and foreign-exchange balances but also on considerations and attempts on the part of American agencies to use grain as a strategic weapon.
17. Werner Felfe. In NEUES DEUTSCHLAND, 18 June 1981, p 3.
18. See resolution of the Secretariat of the SED Central Committee of 26 May 1981 (cf. NEUER WEG, supplement to No 12, 1981, p 464).

Agriculture Minister Kuhrig Address

East Berlin NEUES DEUTSCHLAND in German 21-22 Nov 81 pp 8, 9

[Excerpts from address by Heinz Kuhrig, member, SED Central Committee and minister of agriculture, forestry and foodstuffs, to Third Plenum of SED Central Committee held 19-20 November 1981 in East Berlin: "Farmers With an Increasing Contribution to the Course of the Main Task"]

[Text] Dear comrades, men and women!

The report of the politburo presented by Comrade Erich Honecker honors the great work that was performed by our cooperative farmers, male and female, and by

laborers in agriculture, forestry and in the processing of agricultural products. It was presented clearly and comprehensively to indicate what the new, greater tasks will be in our realm of responsibility to continue the implementation of the policy of the main task in combination with economic and social policies.

New Initiatives for the Necessary Order of Steps

As foreign trade and foreign policy conditions continue to change, we feel that our most important task is to continue unabatedly the stable supply of food to our population, raw materials for industry as well as the realization of our export obligations by relying firmly on the alliance between the working class and cooperative farmers and in close cooperation with all areas of our economy.

In LPG's (agricultural producer cooperatives) and on state farms our cooperative farmers and laborers are making great efforts and putting in good work this fall to harvest and process all those things that have grown on the fields and meadows, keeping losses at a minimum and assuring a high and an effective animal production. By last night's count, 92.7 percent of the sugar beets have been harvested and the processing in sugar factories is 1.8 days ahead of schedule. The state plan for the supply of animal products has been fulfilled and exceeded in all positions. In slaughterhouses and processing plants as well as dairies, male and female workers are directing their attention at processing agricultural raw materials effectively to assure a good selection for the supply of our population. In addition to the total fulfillment of the plan for raw lumber shipments, forestry workers are stockpiling necessary reserves to assure uninterrupted supplies to industries during the winter months. Consequently collectives in agriculture, forestry and foodstuff industries are involved in a competition, making the most effective use of every available day until 31 December to improve the results that have been achieved to date by adding every kilogram possible and every mark possible.

Broad Discussions in Cooperatives

In connection with these efforts, cooperative farmers and laborers as well as all other workers in industry and other branches of the economy are discussing the goals of the 1982 economic plan and the Five-Year-Plan. The initiatives are particularly directed at making the biggest contribution possible to continual economic growth. Their suggestions, solutions and measures are designed to guarantee the necessary order of steps to assure continued growth in production and effectiveness, beginning with the first day of the new year. The concept also includes full utilization of the reserves on private farms of cooperative farmers and all other small producers. The idea of the concept is that to a growing degree villages are to become self-sufficient with respect to the supply of vegetables and fruit.

Discussions of the plan, which will be continued at major annual meetings, at Kreis farmers' conferences and at the Twelfth Farmers Congress, are conducted by cooperative farmers, firmly convinced that significant foundations will be created and important decisions will be made for the continual development of their agricultural producer cooperatives. The broad democratic discussions among our cooperative farmers and laborers is borne by the responsibility that the goals

established in these resolutions--above all, the planned yield per hectare on farm and pasture lands--are concerned with the planned state supply of cattle, milk and eggs, while reducing and eventually replacing grain imports, as well as with the supply of raw lumber as contained in the plan. It is also recognized that these tasks are of a high priority in the political and economic realm. At the same time, farmers are aware of the main problem, which is self-sufficiency with respect to the necessary animal feed and its most effective use.

With this in mind, the discussions of the plan are concentrating on the idea how the production of crops and animals can be increased per hectare while simultaneously reducing costs and efforts and using all the advantages of the socialist production system in agriculture, fully unfolding them and intensifying them and introducing further steps for the industrialization of production methods to reach the highest international level under comparable conditions. Even in agriculture this means that the economic strategy of the party must be realized consistently in all LPG's and on all state farms and that all aspects of scientific-technical progress must be fully applied.

In this respect, as was pointed out by our general secretary in his report, it is of great importance that still existing differences in levels of yield, performance and effectiveness be overcome systematically to form one of the most essential reserves. It is evident that the measures which have been introduced to date for overcoming the unjustified differences must be applied much more consistently. LPG's and state farms must be given instructions and support by the ministry, by bezirk and kreis councils to deal with more specific and concrete needs of respective LPG's. Above all, a more exact investigation is needed to determine why some LPG's achieve high, stable and rising performance levels and a steadily improving relationship between expenditures and results, while others are below the average.

What LPG's With Stable Yields Demonstrate to Others

LPG's and state farms that have shown many years of high and stable yields are passing on their experiences, emphasizing the fact that the most important thing is the utilization of every square meter of farm and grassland as well as the application of a great variety of measures to increase the fertility of the soil, aided in particular by a significant increase in the supply of organic substances to the soil. Furthermore, high agronomic discipline must be applied everywhere. In the process it has been proven again and again that the key to success is the complex and balanced application of these measures.

In animal production the emphasis, above all, is on those universal experiences which guarantee high productivity in breeding and feeding, in milk and egg production with domestically produced animal feed, which contribute to the rational use of these feed as well as the meticulous care and maintenance of animals and which are aimed at implementing material and moral interests. At the same time, the firm principle must be followed of maintaining a stable and high number of animals as an essential guarantee for continued growth in animal production.

Cooperative farmers and laborers that handle the soil and things that grow with great care in these LPG's and on state farms and have seen years of stable economic growth, are just as careful when it comes to the handling of basic assets and

material-technical means. It applies to the masterful operation as well as exemplary maintenance, care and application of technology in the interest of its extensive usefulness and life expectancy, the optimization of all labor, above all, transportation to save diesel fuel, as well as the most effective use of fertilizers, pesticides and herbicides and all other materials on the basis of the highest values and latest scientific findings. The same purpose will be served by realizing the task of building machinery and equipment that will use less fuel and energy; they will be lighter, corresponding to our specifications, cause less pressure on the soil and manifest a higher degree of standardization reducing, particularly, the cost of replacement parts.

Combining Science With Experience

Productive LPG's and state farms are also distinguishing themselves by combining the application of scientific-technical progress with the preservation and strengthening of all those factors that stood the test over many years and by changing those things that are of no advantage or do not suit conditions, adapting them to current needs by using common sense.

Another reason why a few LPG's show an inadequate performance level is the fact that grassland is not utilized intensively. To exhaust this potential fully, it will be necessary to realize an entire complex of measures, beginning with continuing improvements in pre-flood and groundwater conditions by using ameliorative conditions that are as simple as possible, particularly the careful maintenance of existing amelioration equipment; furthermore, there should be a regular renewal of grassland by using grass mixtures that will produce the best results for its particular location, and there should be sufficient fertilization and appropriate care. Finally, harvest dates should be arranged consistently in keeping with the most favorable time for nutritional substances, while making maximal use of pastures and meeting the needs of hay production.

In keeping with the GDR standard, we have set the goal of using an additional 120,000 hectares of grassland for pastures. It will take place in those LPG's and on those state farms that have an opportunity of producing at least 5 decitons of hay per year for each head of cattle.

We also feel that we have an obligation to make advanced LPG's even more productive. As a result, the increase in their experience can have an effective influence on the total level of yields and performance. We in the ministry will put at the disposal of bezirks the best values and most recent data in accordance with GDR standards and pass on experiences that will show how they can be attained. The solution of these tasks also demands greater contributions from the agrarian science. As a result, jointly with the Academy of Agricultural Sciences stiffer requirements were instituted for research and development projects.

To overcome the unjustified differences, it is also important to introduce such questions for clarification to LPG's, for instance, there is the problem of qualification when it comes to cadres; the overall shortage of workers and certain specialists, the temporary or permanent delegation of experienced management cadres, the improvement of working and living conditions or the improvement of technical equipment depending on specific circumstances.

LPG's Cultivate 86 Percent of Acreage

When considering all these tasks, cooperative farmers have an extraordinary responsibility. In accordance with Comrade Erich Honecker's recent demand, we will use all our strength and make even greater efforts to develop the potentials of the cooperative farmers class, to use their solid training and eager willingness to go into action much more extensively for social development and an increase in production. These requirements arise from the fact that cooperative farmers and laborers who are working in LPG's, GPG's [horticultural producer cooperatives] and their cooperative establishments--who altogether make up 85 percent of all permanent employees in agriculture--are and will remain the main producers of agricultural products, responsible for 86 percent of the arable soil in the GDR, 86 percent of the cattle in socialist enterprises, 80 percent of the basic assets in agriculture as well as 95 percent of the state output of crops and 77 percent of animal products. Accordingly, further consolidation of the class of cooperative farmers and cooperative property requires that the cooperative output be reproduced as much as possible within the LPG itself and that 90 percent of the investments that are at the disposal of bezirk and kreis councils be realized within the LPG's.

While carrying out these investments during the process of rationalization, we are aiming at the creation of prerequisites and technological improvements of those processes that will bring the biggest increase in production and effectiveness. By applying these measures and shortening our construction periods, we are currently reexamining all investment projects jointly with bezirk and kreis councils. All released investment capacities, including those which are available because of the discontinuation of large facilities, will be used by concentrating on reducing losses during the storage of organic and mineral fertilizers, the conservation of silage, hay and for the application of technology.

In combination with other economic branches, particularly machine building, our efforts are also directed at finding solutions for those work processes which are of special importance for the use of our reserves: for the production of hay, the mechanization of hillsides and barren grassland, the mechanization of stables as well as the substitution of crude brown coal and city gas for heating oil and the use of alternative energy sources. In addition we are doubling the production of rationalized measures in our own domain.

The continuing consolidation of the cooperative farmers class is also served by a more suitable delineation of the cooperative distribution and performance principle, especially the consistent implementation of compensation according to yield and performance. We will spare no effort in the interest of achieving the projected increase in performance and decrease in cost. The workday and the work rhythm must be adapted to the specific conditions of crop and animal production, because it is important to carry out the work in the field and in the stable during those times that guarantee the highest yield and best performance.

In agriculture it has always been this way and it will remain so. In the long run, technology, general scientific-technical progress and good labor organization will reduce the differences when compared to industrial work step-by-step, but the peculiarities of production under the open sky and with living organisms will remain.

These are some of the questions which we are preparing for the Twelfth Farmers Congress in accordance with the tasks which were presented here by our general secretary in his report. It will also be a guarantee that the LPG's and the cooperative farmers class are and will remain an unalterable component of the socialist society in the GDR. It will consolidate what has already been achieved and create additional conditions for the development of productive forces and production circumstances in the country, as they arise from current requirements.

In this connection and based on experiences in recent years, the central question is still how the initiatives of all farmers can be better mobilized, by increasing cooperation between crop and animal production and, above all, more effective work by cooperative councils to utilize more comprehensively the production opportunities of their LPG's and the total strength of the village in the unified reproduction process of the field and animal industry.

As a consequence we have made it our task to implement more strictly such measures as, for instance:

--shortening transportation routes and simultaneously reducing the consumption of fuel by supplying animals with feed from the immediate surroundings of the village and using all opportunities of putting cattle out on pastures or

--the organization of production in territorial departments and brigades whose members are for the most part from the village where the fields and stables of these collectives are, which also provides better conditions for using the labor force of the village more effectively and to the mutual advantage of the field and animal industry.

Firm Ties to Village and Soil

All these thoughts are intended to make the tie stronger between farmers and their soil, their animals and their village and to get them to put in more effort to increase the yield and performance in the field and in the stable at the lowest cost and consumption of production.

We will work in close cooperation with cooperative farmers and workers and use all our energies for the continual realization of the resolutions of the Tenth Party Congress to fulfill our tasks even under changed economic conditions.

Chemnitzer Discusses Organizational Changes

East Berlin NEUES DEUTSCHLAND in German 21-22 Nov 81 pp 9, 10

[Excerpts from address by Johannes Chemnitzer, member, SED Central Committee and first secretary, SED Neubrandenburg Bezirk Management, to Third Plenum of SED Central Committee held 19-20 November 1981 in East Berlin: "Assuring Supply from Our Own Agricultural Production"]

[Text] Dear comrades, men and women!

I feel exactly like the speakers who preceded me: Comrade Erich Honecker, our general secretary, gave us clear instructions pointing directly to the goal as to

the resolutions of the Tenth Party Congress can be further realized under the conditions that have developed. I would like to indicate my complete agreement with him and the report by Comrade Gerhard Schuerer.

Even in our Bezirk party organization there will certainly be nobody who will treat lightly the tasks that are before us. They will require even more spirit and strength from our party members and from all workers, of whom we can say that they responded to the requirements of the Tenth Party Congress responsibly.

Thanks to the massive work by our party organization, the workers' understanding for our policy has deepened during the months since the Tenth Party Congress. They realize that it is really not easy to steer things politically in a manner which will result in further improvements of living conditions, considering the conditions created by the dangerous trends in the international situation and the over-all unfavorable changes. Not long ago a foreign guest from an imperialist country told us: Your present reality is the future we are striving for. --Naturally, something like that strengthens the socialist convictions of our working people immensely.

Leadership Activities by Party Geared to Uncover Productivity Reserves

Even in the final weeks of 1951, the work is being done willingly and sacrificially to surpass the planned tasks. All our experiences in social and economic development are such that it will be possible to fulfill the tasks for 1952 and till 1955. We concentrate our political leadership activities more intensively on the large productivity reserves, which includes our party organization's willingness to fight, the creativity of workers and their political and professional training and moral.

Differences in performance, which still exist, indicate to us that the level of party work and of the political effectiveness of every communist is to be continually increased. We are making new, higher demands on the political-ideological work, laboring intensively toward the fulfillment and new preparations of competitive programs in enterprises and cooperatives and toward battle programs in the mass organizations. Naturally, we feel that agriculture is of crucial importance in this respect, as are higher and more stable yields in field and stable, and the effort to exhaust all reserves of performance and effectiveness in agriculture.

I can report to the party leadership that the dialog concerning fundamental questions of our domestic and foreign policy, which followed the Tenth Party Congress and the communal elections, expresses the deep relationship of trust that exists between the party and the people in our Bezirk as well. In view of the criminal and aggressive U.S. War policy, the counterrevolutionary events in Poland and many new tensions, our citizens are moving closer together, emphasizing their feeling of security in socialism without existential fears. There is much discussion about the complicated tasks and difficulties, especially in the economy, and the discussions are heated and fierce but they are responsible and sensible. Here and there many doubts remain as well and the ways of solving the problems are not always clear concretely. As a consequence, the political-ideological work of the party must be intensified. Today one can feel everywhere that expressions like political power of the working class, friendship with the Soviet Union cannot be used lightly, but in view of the circumstances in Poland there is a deeper understanding of these

concepts. The enemy would not realize his intention to gain an ideological foothold in our country. Whatever happens in Poland because of the counterrevolution seems so repulsive and pitiful that, as a result, our population appreciates and guards the political values and accomplishments of socialism even more. The ideological struggle has become more concrete. It is gratifying to see the high sociological level of discussions among our comrades. At the same time we are using large reserves by recruiting all party members for the struggle.

Many Good Initiatives to Replace Grain Imports

The most recent politburo resolutions concerning agriculture led to new efforts in party and worker collectives. Agriculture is facing a new consistency with respect to efforts to guarantee the supply of food for the population from a domestically rising agrarian production and the improvement of the relationship between cost and result. The tasks in grain and animal-feed industries, in animal production and investment undertakings affect all areas of this economic branch, which is the most important one in our Bezirk. We do not understand them from the economic aspect only; they require comprehensive sociological activities. Some thought at first that a comprehensive correction in our agricultural policy could be derived from it. Others acted as if nothing has changed. After all, the idea of no compromise with respect to avoiding grain imports had not yet been fully accepted everywhere. Broad and penetrating discussions are in progress to deal with the tasks, and the great number of good solutions is encouraging dealing with the replacement of grain imports in 1985.

The immediate tasks for 1981/82 till the next harvest are complicated.

According to our Bezirk standard, we were able to supply 105 percent of course feed and 73 percent of concentrated animal feed. The most decisive factor is the increase in yields. During the next few months, however, there is nothing left to be harvested, therefore we can only use existing figures. The creating of stable foundations in all kolkhozes and cooperatives will demand our complete attention in political leadership activities.

The current responsible attitude toward the new tasks as well as the course and the results of agricultural work since the Tenth Party Congress show that cooperative farms are meeting the challenges of the 1980's. In addition to conceptual evaluations of the Tenth Party Congress, the Bezirk management oriented its efforts especially toward daily tasks. Many decisions in agriculture are based on the quality of work, punctuality, keeping agrotechnical deadlines, full use of vegetation periods. This year, the work of planting, cultivating and harvesting went considerably better. The yields for summer crops were higher. More was done to improve soil fertility. Crops that were planted in the fall look well, and wherever the planting process has not yet been concluded, we took a thorough look to find out reasons that had subjective causes.

The increase in yields as a political battle and task does no longer allow that we accept even one instance of a missed deadline or reduction in quality, even if it involves only 1 hectare. We will be absolutely uncompromising when it comes to the realization of these urgent factors that determine the yield and which are easily influenced. They represent the quickest path to transform natural forces

such as solar energy and water, into sources of high energy and foodstuff. In our opinion, one cause for unsatisfactory yields when it comes to potatoes, for instance, is the fact that they do not survive the entire growing season. Expenditures are high for planting and tending, and at a time when they should still be growing they have withered and have been killed by the danger of diseases. Certainly, all these questions will have to be analyzed in a much more complex manner in conjunction with scientific data.

Because of broad progress we are justified to be more critical of failures that occur. In most collectives successful efforts have strengthened self-confidence and optimism. Again and again, we receive confirmation that the workers themselves are our largest reserve of productive power or, to put it better, their great strength can always be fully tapped through qualified ideological work and leadership provided by state-economic agencies.

Viewing the Present and the Future to Determine What Has Stood the Test of Time

In the opinion of the political leadership of our bezirk management, the following questions must receive priority when it comes to the fulfillment of agricultural tasks: First of all, there are many tasks dealing with organization in production to achieve high, stable yields in field and stable. Planting conditions will have to be changed, the feeding regimen and the organic fertilizer industry will have to be improved. Higher life expectancy and maintenance of technology must be guaranteed. The basic direction of additional investments is to be realized. We are working on longer-term measures of soil fertility and paying attention to everyday farmland cultivation, orderliness and cleanliness. In addition to already existing treatises, it is necessary to generalize practical experiences, to weigh them and assess them scientifically; in Comrade Erich Honecker's words, we have to view the present and the future to determine what has stood the test of time and what must be improved to assure that the basic concept of the politburo resolutions is fulfilled economically favorably everywhere, even by the last work collective. We realize that everything must be oriented toward the goal of guaranteeing absolutely the recently established goals of plans and competitions and beyond that to maximize increases in yields.

Second, ideological clarifications concerning the intensification of agriculture must be continued. Not all enterprises have developed a politically firm attitude, according to which requirements that affect society in general take precedence over the interests of the enterprise. When we talk about effectiveness, it is understood that we mean economic effectiveness. In animal production, chairmen are discussing this problem openly; economy leads to hog raising, ideology forces us to engage in milk production. Because the soil can no longer be increased and animal feed can no longer be imported, the intensive use of every square meter receives new significance.

What is necessary now is persistent, concrete work to save labor wherever possible, for instance, through optimization of transportation, better maintenance and technical means. Labor is reduced all too quickly when it is supposed to produce many results. Economic rules alone do not guarantee the maximal use of each hectare of soil. Disciplined management must be supported even more through active ideological work by the party leadership and by party organizations.

Managable Territorial Units

Particularly in 1982 we will concentrate even heavier on questions of intensification as part of the socialist competition and the effective application of the performance principle. Performance comparisons between kreise and enterprises show that there are great differences in the performance level. The concrete demonstration, particularly the emphasis on management causes, is an important moral motivation to exhaust the reserves more effectively. But even the best are required to improve their performance level.

Third: Many experiences point to the fact that the improvement in economic work and in firm management is a significant performance reserve. Particularly after the Tenth Party Congress we invested a lot of energy to reduce production units which had grown too big to a more manageable size so that they could be run more easily: They were impeding the rational use of labor power and technology and causing high expenditures and transportation costs. Many LPG's were divided into relatively independent territorial production units with their own assets and own plans. In the process a far-reaching agreement was reached between the proliferation and organization of crop and animal production. In a few cases we divided LPG's that were too big. We generalized examples such as the LPG's of Demmin, Wesenberg and Breesen, and there are many others that prove the same thing: The establishment of territorial departments with a firm structure for planting and crop rotation in crop production LPG's led to a more complex management of problems which they had in common with animal production.

The department collectives are responsible for the soil, the technology and--which is particularly important--the supply of feed for the animals. The transportation cost for animal feed was reduced. The farmers could again grow their beets in their own village and reach them on foot. Their interest in the soil and in yields has grown. The areas of responsibility are clearly defined. The performance principle, in particular the idea that cadres are compensated in accordance with their performance, can be realized more constructively. Better conditions have come into existence for the rights and duties contained in the statute and in company regulations and also for the socialist democracy.

Production Cooperation Partners Make Daily Decisions

Originally we wanted to solve these company management questions by the end of this year. But many things are more difficult in practice, and greater and more specific cooperation by cooperative farmers is producing better and better solutions.

Fourth: In our opinion, another important task is the consolidation of the agricultural reproduction process, which in the course of history has become an organic union--particularly the interaction between crop and animal production. Yesterday Comrade Erich Honecker, our general secretary, stated that our greatest reserve is to support everything that is suitable for bringing the partners closer together.

Thousands of economic and naturally limited processes require daily operative directives and joint decisions. In addition to the complexity of the animal-feed industry, most of the LPG's in our Bezirk, for instance, must manage organic fertilizers more efficiently. The use of animal feed and the loss of animals cannot

be handled on a strictly specialized basis. A decisive factor is the universal regard for the natural and economic intertwinement, the union between soil, plant and animal.

Relying on Experiences by Farmers

Agriculture deals with living organisms. The soil cannot be handled like a work-piece. Therefore permanence among cooperative farmers is so important. We have impressed on our party organizations the importance of the political-ideological task of making the production and life experiences of cooperative farmers so versatile that all natural requirements for yields are fulfilled.

No doubt, production cooperation councils are working very hard, but it is difficult to solve all these problems in a forum that meets once or twice a month, although they have a few commissions. We obligated the chairmen of crop and animal LPG's to discuss in person, daily or every other day, all tasks in their production decisions together. For many it has been understood for a long time. They said that they could not even imagine a good organization in production that would handle it any other way. Others, however, particularly in those areas where many arguments about animal feed occur, avoid one another for days and weeks.

In Demnin, the LPG which has already been mentioned, the managers of the territorial departments even meet with the area managers of animal production. In our opinion it is very important--building on the existing territorial structures--to have the closest connections on all levels, beginning with the executive committee, extending to the department and the brigade and reaching to the work collective in the field and in the stable. Particularly the preparation of animal-feed programs makes communication mandatory, not only between executive committee members but also between the smallest collectives for the discussions of all conditions. Finally, it is important that animals receive not only the most suitable food but also such food that was transported over the shortest distance.

We consulted with the comrades of the kreis management to determine how the forms of party work can better serve the interaction between crop and animal production within the basic organizations of crop production party groups, and in a few cases department party organizations are working analogously with territorial departments and production brigades. Joint active meetings of all party organizations of a production cooperation are a proven method, particularly when campaigns are being prepared.

Now even permanent party groups in both areas are moving closer together. I am in favor of supporting the efforts of a number of basic organizations and of organizing circles of party instruction in conjunction with the comrades living in the village. We want to place more attention on all those experiences that will be instrumental in guaranteeing uniform actions by all party members within the party organization of the village.

Some time ago, when we presented our report to the 1978 politburo, Comrade Erich Honecker already pointed out that more political understanding should be created for the fact that the cooperative farmers class, which will continue to develop for decades to come, will completely realize its social role. Our farmers are very

appreciative of the revolutionary changes that completely transformed the village. Nevertheless, all these things did not do away with the rural life but improved and enriched it. Actually, it only created the foundation for the idea that the farmer is indeed realizing himself as a farmer. It is a great historic fact that the cooperative farmers class in our country stands imperturbably and reliably at the side of the labor class, sharing the political power in our socialist state.

Of course, such qualitative social development requires that our leadership cadres, for instance, the chairmen of the LPG's do justice to this political significance.

The stabilization of the labor force in many LPG's is the most important condition for the intensification. There are too few mechanics and animal caretakers. But the issue is not only workers, it is also the social role and continual development of the cooperative farmers class. In many cases it is a joy to experience the harmony of the class alliance between laborers and cooperative farmers. Wherever it functions, production is also in good shape.

Active Intellectual Life in Villages

The intellectual-cultural life in the villages and towns of our Bezirk is receiving a new impetus, above all, because of the preparations for the Nineteenth Workers Festival. We want to show that the socialist development produced profound changes in the lifestyle of the people in the country, that a rich intellectual climate has developed, improving economic performance and increasing the level of the cultural life.

In most communities and LPG's people work according to annual cultural plans and the economic competition is combined with elaborate cultural and educational plans. The initiatives extend from improving the work environment to beautifying residential areas, from encouraging cultural creations by the people to exposing them to works of art and literature. We place special importance on good work by village clubs, youth clubs and central club councils, who promote the social life in the village in conjunction with state and company management.

I am convinced that our basic organizations, all Bezirk party organizations have sufficient fighting strength to master the tasks that have been established here at the Central Committee Plenum. In preparation for the party elections there are many possibilities to continue their development and to check them. The Bezirk party organization will do everything to fulfill the resolutions of our party leadership in a disciplined manner.

Agricultural Academy Research Discussed

East Berlin BAUERN-ECHO in German 6 Nov 81 p 6

[Excerpts from address by Prof Dr Erich Ruebensam, president, Academy of Agricultural Sciences, to anniversary meeting of academy in East Berlin: "Research Tasks for the 1980's"]

[Text] Our anniversary is a worthy and binding occasion to look back over 30 years of development and work by our socialist academy, and at the same time it is a preview of the path that has been placed before us by the Tenth SED Party Congress.

The words of Comrade Erich Honecker, general secretary of the SED Central Committee and Chairman, Council of State, are our special guiding principle: Safeguarding what has been accomplished in material and cultural areas as well as increasing it requires a rise in economic performance that must be greater than ever before. With this in mind, the creative activity of our workers, their qualified work and their initiative are as much in demand as is a significant upswing in science and technology, the accomplishments of which are penetrating the economy of our country more and more and which must place our economy on a new foundation."

Eighty New Grain Varieties

During the past 30 years revolutionary changes have taken place in our agriculture which are without precedent in German history. The work and life of farmers and all workers have changed radically. The results of agricultural research contributed in many ways to this revolutionary transformation as well as to the accompanying increase in production, work productivity and effectiveness, and these results are more and more becoming a decisive prerequisite for economic and social progress in the country.

A significant contribution to the development of yields in crop production and the performance in animal production were made by the results in crop cultivation and animal breeding as well as research in these areas. In crop cultivation it has manifested itself by the creation of 580 varieties, which are the result of 30 years of socialist cooperation, using the facilities of the academy, the seed and crop VVP (association of state enterprises) and higher education. Among them are 80 new grain varieties that have contributed significantly to the increase in the yield potential. The improvement in the characteristics of these grain varieties made it possible to increase the effective yield potentials between 1960 and 1980; field experiments showed the following results: Winter wheat increased by 35 percent, winter barley by 50 percent and summer barley by 70 percent.

In animal breeding, the process of changing black-spotted cattle into black-spotted dairy cattle, which was begun in the GDR in 1970--based on scientific findings by the Academy of Agricultural Sciences, the Animal Breeding VVD, university departments and practitioners--is continuing according to plans. In 1980 the proportion of black-spotted dairy cattle as a share of the entire population reached almost 40 percent. The performance results clearly show the superiority of black-spotted dairy cattle when compared to black-spotted cattle. The milk quantity is somewhere between 10 and 15 percent. The albumin and milkfat content is between 30 and 25 percent higher for each category.

To regulate propagation results in hog production, a complete system of biotechnical procedures was developed for practical use. These procedures have had a positive effect on the continuity of production as well as the creation of favorable working conditions.

In animal-feeding research new principles were prepared for energetic feed evaluations, serving as a basis for the GDR feed evaluation system which forms the foundation for the creation of an effective animal-feed economy as well as for objectivism in relationships between crop and animal production as it relates to the feed industry. Research work dealing with the albumin metabolism led to a more rational

use of albumin-feed products and an improvement in the supply of albumin for agricultural domestic animals. It includes the optimal use of NPN [nonprotein nitrogen] compounds and the evaluation of albumin sources of microbiological origin, to use all available resources for meeting the albumin need. Periodically prepared feeding regime for cattle and hogs contain complex results to meet the need in animal feed in a form that is ready for use. Among other things, they contain recommendations, for instance, how in practice the use of grain can be lowered in cattle feeding.

In veterinary medicine institutes more than 100 veterinary preparations were developed and are ready for use. Their application, in combination with other prophylactic measures, made it possible to eliminate or prevent several contagious diseases or reduce their effect to a considerable degree. At one time these diseases had devastating economic consequences.

Although we are not able to list them within this framework, the mentioned examples have shown effective results in practice and produced significant accomplishments based on fundamental research in our facilities and by our production cooperation partners and to an increasing extent, above all, through joint measures with collectives of the Academy of Agricultural Sciences and universities.

Last but not least, the level of scientific work, the certainty and the reliability of the results as well as the immediate and broad application in practice depend on how close science and production are connected to one another. We perfected proven ways, such as support bases, consultation enterprises and breeding teams, and established new ways, such as the joint management of competition in research and production collectives. We can only name a few examples of those that are representative of the great number of practical combinations or agreements which were made for their planned realization. Jointly established tasks are pursued by the agrarian-industrial associations of Wanzleben, Querfurt, Berstedt and Pehrbellin, as well as additional LPG's and state farms, combines and enterprises in agricultural machinery construction, agricultural equipment construction and chemistry as well as the council of the Neubrandenburg bezirk.

We have a clear concept available for our work, which is the economic strategy for the 1980's issued by the Tenth Party Congress. It contains the tasks for increasing the economic performance in agricultural, forestry and foodstuff industries.

The first priority is to think over all areas in a more profound manner and to come up with more precise ideas as to what new demands can be derived from the changed reproduction conditions of our economy, how an increase in production can be accomplished with the available assets and labor force and how our research results can be made effective under the concrete social conditions of development:

More Effective Use of Energy

Important points that must be emphasized:

- Opportunities for the conservation and more effective use of energy as well as the search for unconventional sources of energy.

--All production procedures are to be arranged in such a manner that a more favorable relationship between cost and result is achieved. A decisive factor is a more consistent effort to make the increase and stabilization of yields and performance the local point. Reciprocation with the development of new technology and equipment is to lead to a more comprehensive use of opportunities for the reliable management of important processes, savings in labor and materials as well as reductions in losses, particularly through the use of microelectronics. In the process greater emphasis must be placed on the following:

--in field management the guaranteed use of technology, particularly during unfavorable weather, must be increased and structural damages to farmland must be reduced by lessening the pressure on the soil.

--In animal production possible investments must be used in such a manner that the least possible investments must be used in such a manner that the least possible cost will create a maximal number of animal spaces with improved maintenance and working conditions and lead to the comprehensive use of rationalization.

--To improve the fertility of the soil, complex procedures must be further developed with the differences according to location in mind, and the programming of yields is to be expanded step-by-step. Of primary importance is finding ways to increase the reproduction of organic substances for all types of arable soil, particularly the effective production, processing, storage and application of all suitable organic substances in close interaction with production cooperation partners in crop and animal production as well as the distribution of crop and animal production to various locations. In the process it will be possible to create step-by-step a balanced relationship between the reproduction needs of the farmland and the special needs of all locations. In those areas that show the biggest deficits, the cultivation of animal-feed crops is to be encouraged to increase the humus content, and also the number of cattle is to be raised.

Tasks of far-reaching preliminary studies that are to be attacked are the increased use of microbial N-compounds and the P-mobilization in accordance with our abilities.

Loss Reduction Strengthens Animal-Feed Assets.

--Because of the strategic importance, greater efforts will have to be made with respect to the discovery and use of additional possibilities for increasing animal-feed production, which comprises approximately 70 percent of the entire crop production, and a more effective use of all animal-feed products. It applies to all collectives and facilities that are involved in these complex problems, and there are only a few exceptions, because every measure intended for an increase in yield and quality and a reduction in losses also strengthens animal-feed assets. Particularly in these areas, special importance will have to be accorded to the broader application of existing findings and experiences.

REGULATORS VIEWED AS HELPING DEFEAT ECONOMIC PROGRESS

Budapest MCSZAKI ELET in Hungarian 13 Nov 81 p 7

[Text] "In socialism, too," wrote Academician Jozsef Bognar in 1966, "the economic leader must have creative and associative aptitude. He must make decisions quickly and boldly, be circumspect in risk-taking and prepared to accept responsibility for judgments and decisions. It is hoped that the new economic mechanism which provides opportunity for creativity to unfold will simultaneously teach and compel risk-taking and assumption of responsibility." Before we confront Jozsef Bognar's thoughts with today's reality, let us detour a bit. What is the connection between managerial independence and responsibility? In what areas may the manager, alone, make decisions, and to what extent do the consequences of his actions affect him directly?

There are numerous examples of Western firms firing leaders in time of crisis without batting an eyelash. The VW crisis of a few years ago was followed by the departure of company leaders; the same scenario was enacted at the AEG concern when it was on the verge of bankruptcy. When the Olivetti firm had a \$100 million loss in 1978, its first act was to replace the leaders. The new leader, Carlo de Benedetti, was granted unrestricted authority: in 1980, trade picked up by 20 percent, and the \$100 million loss became a million dollar profit.

Our goal is likewise to operate the means of production efficiently, to attain maximum profit. The difference is that the majority rather than a chosen few profit from the income.

Our present managers see this clearly today. However, they also know that socialism has yet to solve the dilemma of reconciling full employment with efficient, profit-oriented management. The regulators have been repeatedly modified in vain. It has always been necessary to include restrictions which motivate the enterprises to only limited reduction of manpower. The tax on wage level increases in excess of 9 percent is exorbitantly high.

The second important element which shapes the mentality of managers is that so-called special benefits, usually dependent on ad hoc decisions of superior organs, affect enterprise profits in addition to the regulators. In reality, managers who are truly competent would deal with higher organs as little as possible; most would prefer to spend their time on plant problems, on

cultivating domestic and foreign contacts. They would be in accord with the principle which sociologist Ferenc Nemes calls the ideal manager mentality: "The present system of economic guidance and regulation presupposes an internally directed leader characterized by resourcefulness, decisiveness and initiative. However, the truth is that most leaders are externally guided and are characterized by conformity, reliance on connections and tact."

When I recently visited the executive director of an enterprise, he showed me a circular letter from the ministry requiring all directors of enterprises belonging to a certain branch to attend a ministry briefing each Thursday. What can a manager do? He grumbles but appears each week at the appointed time. This is because whether or not they like it, the enterprises are regularly forced to make use of the assistance of the superior organs. As long as recurrent shortages are a feature in the socialist economy, our managers must continue to appeal for aid either with their investments or problems relating to supply of basic materials. In fact, intervention from above cannot be dispensed with even in matters of foreign trade. Habits become conditioned reflexes and persist even when the help of the authorities is no longer needed.

Thus in addition to increasing enterprise profit, managers must continue to cultivate higher contacts if for no other reason than because their personal income depends on the opinion of their superiors. Even if we assume that income alone is not the sole determinant of managers' interests, it is still important and essential that there should be a close relation between enterprise profit and the personal income of the leaders. Managers should prosper in accord with their professional performance.

In the July issue of VALOSAG, Sander Erdelyi, who, as chief engineer is an active leader, summarizes the opinion held by many as follows: "Quite naturally, we habitually came to embody that type of Hungarian leadership behavior which can be characterized as an attitude of maximum attention and realism towards current authority. Unconsciously we mirrored the view that in today's Hungary the personal opinion of authorities, the spoken or unspoken value judgments of comrades are of excessive, virtually decisive significance in the consciousness of the leaders. I am not speaking of top-level leaders but of the entire leadership hierarchy."

What does such a behavioral model lead? Decision making rises to an ever-higher level. According to some economists, the regulators effective since 1980 inevitably and stealthily restore centralization. There can be only one solution: we need a group of leaders, managers who are responsible for production. And if this does not happen? Then we must expect what Erdelyi projects in the above-quoted article..."There is war in the world today, merciless, relentless economic war between systems, groups of nations and nations. Unless in the course of this we clarify the concept of leadership responsibility, break our self-forged shackles of zero responsibility and the chains of the forms through which this manifests itself, there is at most only one thing to do: join the ranks of the defeated yet again. And only one weapon is recognized in this war: production."

This is why the thoughts formulated in 1966 are more than ever pertinent today.

PRICE REFORM, COMPENSATION DISCUSSED BY PANEL

Warsaw ZYCIE GOSPODARCZE in Polish No 1, 24 Jan 82 pp 5, 6, 7, 8

[Panel discussion, conducted in the editorial office 9 January on the reform in the price system and principles of compensating for the rise in the cost of living, including Alfred Banach, deputy director for economic affairs, Pollena-Uroda Plants in Warsaw; Zbigniew Ducin, secretary of the PZPR plant committee at the engine plant of Ursus Mechanical Plants; Krzysztof Gorski, undersecretary of state at the Ministry of Labor, Wages, and Social Affairs; Zdzislaw Krasinski, chairman of the State Price Commission; Andrzej Nalecz-Jawecki, chairman of the Consumers' Federation; Teresa Palaszewska-Reindl, director of the Institute of Domestic Trade and Services; Jerzy Pasilewicz, secretary of the main board of the Union of Socialist Polish Youth; Kazimierz Rusinek, deputy chairman of the Main Statistical Office, Sylwester Zintala, secretary of the PZPR plant committee at the Zelmet Plants in Warsaw, and Jan Glowczyk and Janusz Ostaszewski representing the editors: "Price Reform -- Necessity and Uncertainties," compiled for publication by Janusz Ostaszewski]

[Text] [Question] Discussing the price reform today we must take into consideration the new conditions of social reception of this need to conduct the operation. First, the change in retail prices foodstuffs does not mean that they will not still be rationed. Second, there is no hope of quickly improving the market situation, although the price reform will be of some help. Third, the rise in food prices will be concurrent with changes in the prices on manufactured goods as the result of the new principles for setting them and the new wholesale prices. It is not yet clear just how high these prices are, and the method of compensating for the resulting rise in the cost of living has not yet been established. An important element in determining the situation is the fact that this year the population's income will not rise as quickly as last year. Created national income has declined, so that there is not much to divide. Although one might say that last year's increases were "anticipated compensation," in the mind of the society that is not the way it is, after all. Certain social groups felt keenly the influence which the new prices on alcohol, tobacco, and gasoline had on the cost of living. All this together will make it very difficult for the price reform to gain the necessary understanding and acceptance of the need for it. Let us add to this the fact that the scale

and scope of the proposed rationing is shocking, attracting a great deal of attention away from the immanent main element of the price reform, the systems for compensating for its effects.

[Z. Krasinski] The complexity of the problem is truly enormous. Let us recall that the 1970 increase in food prices was to amount to 11 percent, and that of 1976, 38 percent, but both of them evoked decided social protest. The increase currently being proposed is really tremendous in comparison to the other ones, but it is unfortunately also essential, if our economy is to be restored to health, and we all are to benefit from it, even though now we must bear the costs. We can no longer put off this operation.

[K. Gorski] I must admit that I would like to defer it, like most of the employees, thinking about my own budget. On the other hand, as an economist, I know that it is high time to do it. In my opinion these are the arguments calling for such decisive rationing:

First, money has lost its role as a real instrument in commodity exchange between town and country. It is hard to be surprised that farmers do not want to sell hogs or potatoes at full value on the zloty in exchange for zlotys which have lost part of their value. If things continue, farm production will die out more and more.

Second, money has lost its incentive function. People value their free time more highly than work, even work which is more profitable, because they cannot buy anything. The restoration of money's incentive capacity is a condition to getting control over the crisis.

Third, without flexible price-setting principles and the maintenance of rigid prices, the reformed economic-financing mechanism could not function properly. The price reform creates the chance that part, at least, of the enterprises will gain socially desirable production from the resources at hand which is finally profitable. We cannot go on with a situation in which a tractor part has an official price of 25 zlotys, while the producer's prime cost is 150 zlotys and the farmer is buying it for 300 zlotys, because he needs it so much, but nobody finds it profitable to produce it under such conditions.

[Question] Nonetheless, given the large scale and sphere of the pricing operation, it is probably possible to consider whether it should be introduced all at once or in stages.

[K. Gorski] I am for a single solution, because the whole remedy has been delayed from the viewpoint of the functioning of the economy, and the various stages would have to follow one another in short order, and this would not fail to impact the technique and effectiveness of compensation payments, and this aspect is important. After all, it is necessary to make the calculations and pay out money to 28 million people. I also think that given the large scope of the changes there is greater probability of proper compensa-

tion for family shopping baskets which have very great structural differences, although I realize that compensation which would be entirely satisfactory to everyone would have to increase the mean rise in the cost of living by 30-50 percent after the price change. This is not possible. After all, it is our aim to use the reform to obtain "good money," which will be covered by goods available on the market. Since we cannot achieve it by increasing production, we must raise prices and compensate for the increase in a ratio of at least 100 for 100 for those groups in the most difficult situation and, to some extent, for those situated at the moderate level. This is a painful step for many social groups, but it opens up brighter prospects.

[Z. Ducin] Workers in my plant are critical of the scale of the increases, but they are in agreement with a one-shot increase, because if something has to be very painful for me, let the pain strike just once.

[Question] There is a certain contradiction in this. To do it once after all means to do it on just such a scale which is being questioned but is, unfortunately, irrevocable. The gradual introduction of the increases reduces the scale and should therefore favor acceptance. How do you reconcile these two views?

[Z. Ducin] I agree that it is not too logical, but I am giving here the views of our workers, and that is the way they are.

[A. Banach] In talking about a one-step or multiphased implementation of the price reform, we must also take into account the supply situation in the country. The enterprises are building prices on the basis of anticipated costs. If we are forced to reduce production for supply shortages, these costs will turn out to be different from those for planned production.

From the plant's point of view, then, the reform should be introduced all at once, because this will make it possible to determine the effects of the price change and also to draft all at once a suitable incentive system for wages taking into account the compensation for various professional groups, especially that for employees with good skills.

Compensation, the Most Important Problem

[Question] Compensation, which from the social point of view is the most important part of the price operation in its broad reception, is somehow on a secondary level, which is symptomatic, but in assessing the price reform proposals, after all, it cannot be overlooked.

[Z. Rusinek] Before we talk about the principles of price compensation, perhaps it would be useful to present the following facts:

In January 1980 the mean wage in the socialized economy, as I recall, amounted to 5,200 zlotys. By January 1981 it had already reached 6,300 zlotys, and by December 1981 it had reached a level of 9,000 zlotys (the December mean is somewhat inflated, owing to the fact that it is the end of the year and various leftover payments are made). Therefore, between

last January and last December wages increased by nearly one-third, and the monthly average wage in terms of the year 1981 amounted to about 7,250 zlotys, and this was an increase of 25 percent. This sudden increase, often forced, alongside a simultaneous decline in production, labor productivity, and supply of market goods, was responsible for what happened and what was heard of earlier. In essence this was a horrible experiment which produced effects inimical to the goals on whose behalf it was forced.

I agree that the most important issue in the price reform is the system of compensation, which will determine whether the society will accept the reform. I have several comments to make on this subject.

There is no correlation between per capita income in a family and the level of wages. Hence, the most positive feature of the system is the amount of compensation for children and nonworking wives, an amount which is basic-ly independent of income. We have many groups of families with very low per capita incomes, such as the families of miners, whose wives usually are employed. In 80 percent of the families, the per capita income level is explained by the number of persons supported by the person employed.

(a) about 20 percent of the people in families with the lowest incomes are actually employed, compared to 80 percent in the families with the highest incomes. This explains why there can be no completely fair mechanism for allocating income solely through wages. Thus the principle of compensation for children and nonemployed persons coincides with the sense of justice. (b) In families with the lowest earnings, employed people do not have the lowest wages, although everyone thinks they do. Budget research shows us that above-average wages predominate in such families.

I think that overly degressive variants of compensation are unfair. Fairness is anticipated through the reduction of the incomes of people who earn a great deal. Meanwhile, contrary to popular belief, it is not just bureaucrats who earn the high wages. So do all the key sections of the upper class. Hence, I am against variant C, which strikes right at the workers.

(c) [redacted] Results gleaned up until now from public opinion polls show the range of views on the compensation variants proposed, but equal compensation for employed persons is generally rejected. In the letters we are now receiving, only 20 percent favor equal compensation. Variants B and C have been receiving 80 percent. Therefore, we must consider all the elements including the motivating factors, which can determine the choice of a variant. I think that it is just these motivation elements which would incline us to variant B, with some compensation degression in keeping with the level of earnings, but not to the extent that wages will be made equal to the point where active employees with higher earnings will be discouraged from more productive work.

The only argument for equal compensation for children could be the point that this is a component of the family allowance, which is differentiated, so that in granting equal compensation we retain the principle of some degression. Nevertheless, 68 percent of those polled favored differentiated compensation.

[S. Zintala] I would like here to make a statement against some rather risky generalizations made in the press and on television that the whole society understands the necessity of making certain price changes and not others. It is not like this at all. A substantial proportion of the society is interested only in how much they have in their pockets, not having the foggiest notion of the whole complicated system of economic relationships overall. I do not like such generalizations at all, especially when there were recent slogans that the whole society has been categorically demanding something. Therefore, we can talk only about a part of the society, and even then with the reservation that not everyone who sees the need for raising prices agrees with the scope of price rises being proposed. What is being questioned is not only the size of the increases but also the system of compensation.

The proposed rise is associated with the fact that for several years there have been systematic jumps in prices on not only foodstuffs but also other products which we normally buy, so that the wage increases are immediately leveled. The inflation gap, which people talk so much about, is not in the workers' pockets. On the scale of the country it undoubtedly exists, but workers do not own it and are very malicious in the commentaries.

In the plant we have been discussing which employee groups will bear the brunt of the increases. In our place it is calculated that those of average wages will get it in the neck, that is, skilled workers too, those who have earned their qualifications and rank through many years of work. They feel the price changes most keenly who do not earn the most or the least, the latter correctly being the ones whom the compensation system protects.

This whole matter still has too many unclear areas which give rise to various sorts of assumptions. The leaflet, for example, talks about making up for the rise in the cost of living through a rise in wages, but after all this increase will depend on the plant's situation, on whether or not it can afford to grant employees a rise in wages. And these increases will not include the entire workforce either, just certain groups.

The sense of the Zelmot workforce does not coincide with the poll results leveled concerning compensation in accordance with variant C, that is, strong degression according to the level of earnings. This variant is considered very improper, along with variant A, which would also grant compensation to the groups with the highest wages. People also say that the compensation for heating fuel should be awarded per apartment or dwelling, not per person.

[Z. Krasinski] Despite everything, we have to say openly to workers: You are dynamic, full of initiative. You work hard, and that is why you earn well, but during the present time, when production has dropped by 30 percent in relation to that of 2 years back, now that we are in the worst period of our entire postwar history, you are going to have to make sacrifices for a period of a year or two on behalf of the entire society. This applies not only to workers, but they are currently in the group of the people with the highest earnings and account for the largest share of that group.

Vocationally dynamic groups can manage a new situation in a year, according to the experience of both our country and others, because if the enterprises find themselves in a better situation, they will reward better work. It is in their own interest to see to it that those upon whom the existence and development of the plant depend are paid better.

[Z. Ducin] In our own political sense, we must and do say at Ursus that the cost and social dedication are necessary. We cannot come out with statements which are too scholarly and incoherent, because this does not say anything to either the group of activists or to the workforce. Hence, unless we call right away on the dedication of the working class, although at the present time this is so extremely unpopular that people grind their teeth in front of us, unless we tell them that it is necessary to help the state, then nothing will come of it, even if the professor issues one more pamphlet and appears on television ten times. I would like to take this opportunity, as an old Ursus man, to apologize to Prof Krasinski for the unpleasantness he experienced during a stay at our place not too long ago, although I myself have a number of bones to pick with him.

I have held a series of meetings with workers in our plant, and I think that this increase may be very difficult. There is a clearly growing and noticeable paralysis of fear, a lack of faith in the effectiveness of the undertaking. At many points this degenerates into extreme anger. That is the truth.

I do not deny this macroeconomic scale, but we cannot, do not want to, and must not talk like that with the workers. This is because of the overall rather low level of knowledge of all those economic mechanisms, and in our place, at Ursus, also the poisonous propaganda which was spread against the reform by the gentlemen from "Solidarity" and which -- let us not hide it -- is still being waged by the second, third, and fourth set.

People are saying clearly: We do not see absolutely any timeframe in which we will make any improvement; on the contrary, we see a long period of several years or more in which there will be no stability in the standard of living of our families.

A few words on incentives. In my plant, in the engine test house, an engine test bed worker earns up to 15,000. zlotys. We want to turn out a lot of engines. How is the administration to provide an incentive for people to turn out more, when money does not interest them? The worker

there will be very severely impacted by the price reform, because as an employee he will not receive any compensation at all, not even a minimal amount.

I should also like to emphasize this point: Please do not talk about any inflation gap with respect to the working class. It is not in our place. In the factories you must not talk about it.

[Z. Krasinski] In talking about the inflation gap, I often use this comparison. If each of us has an average of 1,500 zlotys in our pocket, and I assume that this worker in the engine test house has just such a sum with his earnings each month and can take it out of the envelope and spend it right away, then if we multiply this by all the people working in the country, we will get an approximation of the value of this unfortunate gap.

[Z. Gorski] In my opinion the tragic part of the situation is the fact that the gap is reality, money without goods to cover it too. After all, it is sufficient to compare the rise in income with the decline in production, but I too, as a consumer, prefer to have 5,000 inflated zlotys in my pocket than to have 5,000 fewer inflated zlotys. I will take them to the peasant market and buy two Hungarian salamis. This is therefore more advantageous to me, and I understand that from the viewpoint of the interest of the individual it is not easy to give up this inflated money.

On the other hand, the society must unfortunately make a sacrifice here, and we have to say so clearly despite everything. Hence, we have to make the best possible use of the time left remaining to us to find the way to compensate for those losses, a way which on the one hand would be the most acceptable and on the other hand, technically feasible. This is by no means a sidelines issue. The payments must be made efficiently. Nobody can explain to a pensioner the delays which may make his existence impossible. The technical aspects of the operation may as a consequence determine its success. This must be taken into account in selecting the variant of compensation to be used. It should be as simple as possible. Even the more or less logical proposal of making the compensation dependent on the level of earnings creates a problem as to what should be included and what should be excluded in determining the amount of earnings. We have decided not to include overtime or pay for free Saturdays.

What are we to do about somebody whose earnings increase or decrease in the meantime?

These are just two examples of the inherent problems. From the viewpoint of the technical aspects of the whole operation I would take a decisive stand in favor of equal, uniform compensation for everyone, but we cannot go along with such a concept, because public opinion is against it and there must be preferential treatment for the groups with the lowest earnings. But all this must be relatively simple for it to be effectively implemented. For example, with 5 million people to serve, ZUS will pay out compensation 3 months in advance.

[J. Rasilewicz] We are in the midst of broad discussion and consultation under the auspices of the Union of Socialist Youth (ZSMP). There is a general understanding there of the need for a joint view of the problem of economic reform and price reform, but we are also noticing many dangers.

Whom will this operation strike the hardest? Young people feel that it will be themselves, who are entering life and are forced to set up families, and old people, that is, large groups of the most modest means who, from the viewpoint of the ideals by which the socialist state is guided, should be most carefully protected, the former, so that their characters will not be warped and so that they will not go out on the street in the future, and the latter, so that they will have the peaceful old age they deserve without worrying about their existence, because they have worked hard all their lives.

Young people talk about the need to tie the price reform to a reform of the wage system. Today the effects of work are not related to the level of remuneration, and the young, skilled worker feels that he is not being paid in keeping with the contribution he is making to the overall national pot.

The system of compensation is not giving rise to as much emotion as the uncertainty about whether the state will create a safety net for young families in the form of credit policy or a certain market basket of products will be related to receiving the first apartment in their life, or to starting a family; whether the state will stimulate production to create a children's and young people's market and a market for older people, that is, a market not of luxury goods but of those which are a condition to the basis of existence; whether free prices will not become arbitrary and whether waste will not be calculated into them, along with poor management and administrative overgrowth.

[A. Nalecz-Jawecki] In connection with price hikes and regulation, the Consumers' Federation is calling for the introduction of a strict control of the quality of goods and services. The goods must be of good quality and worthy the prices on them. Commodities will no longer be subsidized by the state, and the producer will not add a supplement to them to make up for them. Therefore, the consumer will have the full right to demand that they are good. This will be a sort of compensation to which he will be fully entitled, and the federation will help him get it.

We think that the price must be lowered, if substitutes which reduce the utilitarian value of the product are used in production, if poor production quality is found, or if the design or aesthetical qualities are inferior. In this connection the trade ministry should adapt and upgrade the system of stamps very quickly. Commerce should also reach agreement with suppliers on the expansion of the range of product grades and classes.

The efforts of the Consumers' Federation -- this applies both to monitoring prices and watching quality -- as a group of people "from outside" will be relatively small, unless they coincide with the activity of the workforce of the production and commercial firms. The employees of these firms must

finally understand that they too are consumers. They must stop looking at their activity solely as producers interested in quantity and profits.

I am convinced that the sudden great freedom the enterprises have in setting prices, however, will be used by many of them for speculation masked by dishonest calculations, the calculation of the costs of wastefulness into the costs of production, the inflation of costs to cover lack of thrift or part of development (such as the modernization of fixed assets), and so on.

Both the rise in prices and the efforts at order performed during the state of war should be an opportunity and occasion to put elementary matters on the market in order. The following suppliers' obligations should be required at once: the marking of the product with the date of its production and the latest date it will be fit for consumption, the clear designation of exactly who produced a given item, the inclusion of clear instructions for use, the provision of guarantee and complaint provisions for the consumer, and so on.

[K. Gorski] I wish to say a few more words about the way compensation will be made for the rise in the cost of living and for free prices. Such a methodology was ready back in December of 1980. In January 1981 we sent it for appraisal to all the trade unions, to no avail. By December we had not received any official positions.

It boils down to the notion that a market basket of standard goods will be examined, and after a quarter or two wages, pensions, and other benefits will be corrected according to the rise in its cost. The defect of such a method under the conditions of a rapid increase in prices is the fact that the movement of free prices in January, February, and March may be compensated for in May of that year, for example. For this reason consideration is being given to the possibility of anticipatory compensation in advance for those groups of the population which earn the least, with a correction made later for the advance payment. Of course, this would apply to the standard market basket of manufactured goods and would consist of frequently bought items. It would not apply to luxury items or those purchased less often, like washing machines, refrigerators, television sets, and the like.

Price Element Barriers

[Question] We have already passed into another area of matters related to the compensation for the rise in the cost of living, the realm of prices on manufactured goods. How will they be set, and what will protect the citizen from -- let us also take this into account -- the possibility of a wage of price booms?

[Z. Krasinski] There are official prices for 35 percent of all commodity turnover, and they include footstuffs, except for marketplace prices and some minor assortments of food items, basic items for children and youngsters, gasoline, tobacco, and alcohol.

Regulated prices -- 15 percent of turnovers -- are set according to strict rules for calculating the costs of production and standard profit.

The standard prices -- 50 percent of turnovers -- will be based on agreements between producers working in cooperation [coproducers] and between a producer and commerce, taking into account the conditions of supply and demand.

The scope of standard prices is very broad. We are starting with the sphere which the Hungarians achieved after their economic reform had been functioning 15 years. Can and should we use strict care in overseeing the process by which they are set?

During the initial period they will undoubtedly tend to the level of equilibrium prices, and they will hence be higher, even considerably so, than regulated prices, but we have a tremendous inflation gap, which has also been accumulated by the highest earning groups. It is to be supposed that they will reach for goods with new prices and that at least part of the gap will be eliminated. Given the assumption that after the initial period the demand will drop, prices will have to come down, and then the goods will become available to others. I am aware that this is a theoretical assumption which is open to discussion, but it creates the opportunity of having the state budget take up part of the gap.

Will these prices be so very high? I know that the enterprises are very much afraid of excessively high prices and are making careful calculations. If they go right away to equilibrium prices, which will be very high, because they have to include the costs following from partial employment and exploitation of capacity, from the overgrowth of administration and the waste which exists generally in various forms, then given the limited demand and the accumulation of reserves, they will have to reduce these prices quickly, which will have an impact on the level of profits and the funds coming from them. Therefore, on the other hand, they will also be forced for probably the first time in our postwar history to dip into reserves in order to reduce the costs. If the price runs into a demand barrier, then they really will have finally to think about the effectiveness of their management. Therefore economic thinking and theory will begin to operate, and this will provide us all with clearer perspectives, although the onset may produce a shock in terms of how high the prices in which we come into contact are. These are all consequences of the functioning of the market mechanism, to which we must become accustomed and, unfortunately for which we must pay in order for the economy to be restored to health. I would therefore be against any sort of severe interference in this price-setting process.

But it is not just the producers' restraint and moderation which will protect us from boom prices. The Council of Ministers has been given the right to intervene -- this includes freezing prices -- if this process is too sudden. Therefore, the consumer is by no means completely helpless in the pricing game of the producers, and the state can protect his interests.

[K. Gorski] Insofar as the limiting influence of demand barriers are concerned, experience up until now does not incline us to optimism. The research we conducted in small manufacturing, where free prices have been in use for some time does not confirm Prof Krasinski's expectations. We do not see there either a rise in production or a drop in employment, only a rise in prices, which proves that the demand barrier under our conditions is difficult to fathom.

On the other hand, however, there are elements which incline us to careful optimism and which speak in favor of Prof Krasinski's hypothesis.

The demand barrier may appear rather quickly as the result of the fact that the population has known for a long time about the impossibility of preventing the increases and for this reason, acting after all in a very rational way from the individual point of view, has stocked up on many items: several television sets, reserve supplies of clothing, shoes, and so on. After the increase they will hold out and not make any purchases, which fact which have an impact on demand and force the producer, even without the competition of cheap imported goods, to reduce prices but also to expand production, and this will be economic necessity stemming from the mechanism of the economic reform, and not administrative requirement.

[J. Rasilewicz] It is rather difficult to believe in these price reductions, inasmuch as we have been brought up under conditions where the producer and not the consumer dominates the market. We do not know what competition is. We have a market monopolized by "sole producers," who will still have particularly favorable conditions for driving up prices, giving no care to waste, bureaucracy, or organization and management. The buyer of many such products especially those coproduced, will not associate their prices with a concrete producer, and of course the state will bear the responsibility, because that is the easiest.

[S. Zintala] How do you force a plant like our Zelmot, for example, which has a monopoly in the automotive industry, to reduce prices on distributors or automobile reflectors? If it wants to produce cars, FSO, the automobile factory, has to buy them, and if it does not buy them, production comes to a halt.

[J. Rasilewicz] I see a conflict in the reasoning of Prof Krasinski and Minister Gorski. Let those who cannot afford it wait to buy things until the rich buy them, demand drops, and the product becomes cheaper. How long are the poorer people going to have to wait, and will they be able to wait? I do not know if a young mother will be able to extend her pregnancy by a few months in order to be able to buy a sleeper or stroller. It may take all the longer if the rich, as Minister Gorski said, have such reserves, after all, and are in no hurry at all to replace them at the higher prices. And then what?

This is exactly the thinking of the people standing in the workshops, and instead of working they are worrying about what things will be like in the

shop tomorrow and about whether they will be able to buy what they absolutely have to have with the money they earn.

I also have reservations about whether the information about the projected price operation is true. There is talk about the shocking new prices on pate and grits or the astronomical price on a color television set, but there is no information about how the price calculations look in concrete enterprises, in relation to concrete items. I do not believe that the enterprises are afraid of high prices either.

[A. Banach] Free prices cannot be voluntaristic prices. In setting them in the plants we must take the long-range prospects into account. You cannot jump the prices way up and then later reduce them. Trade has a very important role to play in setting the level of free prices, and it should discuss these prices with the producers. It is a question of becoming familiar with supply and demand. The producers do not have this knowledge, but I am afraid that commerce does not have it either. In the setting of free prices, trade organizations should play an important part.

Plant management here must have more in view than merely their own interest or the public interest.

I think that with free prices an incentive wage system must be in operation. This must be a system which helps to lower production costs. The enterprise must have freedom in using the payroll fund. It must feel completely independent and be a responsible manager, operating within the framework of general principles.

[K. Gorski] The 1982 enterprise operation principles state clearly that the enterprises are completely free in their choice of system and forms of employee remuneration. The ministry is making preparations for a major wage reform in 1983, but it will not be based on the traditional system of wage regulation. We are planning to introduce new general schedules and rate tables, with broad spans, and the enterprise will retain great freedom in regulating wages. We are not going to prejudge anything, and our referees are not going to make decisions for anyone. On the other hand, we will give advice and assistance.

[Z. Krasinski] The price law provides for the creation of a body independent of the State Price Commission, a social price commission, one-fourth of whose membership is to be made up of trade union representatives, the Consumers' Federation, independent scientists and specialists from the State Price Commission, advisers. This body will serve to perform advisory-monitoring functions in setting official and regulated prices.

But here we are talking above all about the need for price changes. We are anticipating the negative effects and we are somehow afraid to talk about the long-range prospects, about its positive effects. What will they be like?

Above all, a good market. I am convinced that making production profitable will expand the assortment of market goods and its range of quality grades as a result. In the not-too-distant future there is the chance that the store shelves will fill up, although we have actually already gotten out of the habit of seeing them full. Finally, the new economic mechanism, including the market mechanism, will also create better conditions for the functioning of trade. Along with free prices there will also be freely set profit margins, conventional ones established between trade and the producer. There is therefore the chance that new goods will be brought onto the market and that there will be a great rotation of goods.

There is the opportunity to break through the monopoly which certain trade enterprises have. By providing higher profit margins -- let us remember that in our country trade is very underdeveloped even in comparison to our neighbors -- we will allow trade to be very profitable, and this should provide encouragement for other partners besides those we have had in the past.

We are also talking about the absence of competition among producers. Let us remember that there are areas, the food and agriculture industry and light industry, for example, where there are many different plants, and the new conditions will further mutual competition among them. Basically, the production monopoly exists in a rather narrow range of products, those which are called "durable goods." We have 30 plants which produce furniture, a dozen and some which turn out footwear, and this too represents some sort of competition. But where there is a monopoly, the price law provides that if such a monopolist wants to hike the price on his products the price administration can change the free price into a regulated price with all the consequences resulting therefrom. Therefore, the monopolist must be very careful not to wind up in such a situation, to avoid facing its consequences.

Now about the legibility of the price-setting principles. Now there are four directives prepared for the price law. They are very precise in the information they give about the way various categories of prices should be set. They should be popularized, so that everyone becomes familiar with them and can see that they have nothing to do with voluntarism.

Social Policy

[Question] Then the whole job now boils down to selecting the most suitable and fair system of compensation and to becoming as well prepared as possible for this operation on the technical side and not lose anybody, although we are aware that on such a scale there are bound to be instances which are not taken care of and that there is no possibility of choosing an ideal variant which will meet all the requirements. The issue is still open to discussion, but it must be emphasized that while it is assumed that generally speaking in relation to food there will be full compensation for the market basket of products, compensation for the rise in the cost of living resulting from free prices could be accomplished -- time is

needed. It is necessary to become familiar with the movement of prices and to count up everything. The calculated compensation for those of most modest means comes into play.

It is not possible to find an ideal solution for the situation of each family individually. Therefore it is a question of seeing that social services operate as efficiently as possible in the plants, but we must not exclude the notion that some social groups might find themselves in a situation which had not been anticipated. Do we have some sort of safeguard here? If something like this happened, is there some possibility of making some correcting, with some delay, of course, after the analyses?

[K. Gorski] Yes, you could say that. In reserve we have the possibility of increasing cash social benefits. For example, it is possible to consider extending paid maternity leave, raising minimum pensions and annuities, additional benefits in the form of allowances, doing something in the realm of the plant social fund. We are considering the matter of creating a special social fund for rural areas, a fund which would equal possible extreme cases which might occur and even them out. The people without jobs will be covered by the vocational activation fund, and here the employment administrations will pay for compensation.

[J. Rasilewicz] Many stratified contradictions cannot be resolved, unless there is a clear perspective of what awaits us and unless the principles which injure the economy and demoralize the society are done away with once and for all.

A 30-year old worker today, for example, reaches the top step on the wage scale and faces the anticipated prices. He has reached his maximum. Now what?

The cardinal issue is the wages systems and the restoration of incentive features to them. Full information is needed on the principles of social policy. Meanwhile, there is the hope that this increase will not be treated as a move devised by economists which is intended to strike at society but one which is to create normal living conditions.

One other comment comes up here, related to the focus of state programs. I think that they should be aimed at the younger generation, the group which is the largest, in the greatest need, and the most necessary for carrying out any program.

[T. Palaszewska-Reindl] There is no doubt that the sensitivity of the whole enterprise will be tremendous, as has been expressed in the discussion. This is first of all because all this is happening under conditions of tremendous uncertainty applied to a very great many areas of our life. All effort must be directed to reducing this degree of uncertainty concerning the principles of the functioning of the economy and the operation of the

social system, but there are three special issues: the principle of price-setting, the market situation and its outlook, and the directions of social guarantees.

Price-setting principles give rise to many doubts, according to all the research we have done. The examples presented in the pamphlet for making the calculations try to resolve them, but I think they include a great deal of uncertainty as to the operation of the wholesale price system, so this has to be completely explained.

The next issue is the market outlook and the conditions of the market situation. It is very bad, and we all know it. Therefore should we not limit protective action to what has been called the protected sphere and clearly define the products and components of the population's expenditures which must be protected with particular care and where the price rise must be decidedly lessened?

At the institution we attempted to specify supply standards with respect to the nutrition needs of adults and children. It would perhaps be worthwhile on the basis of it to structure the realm of protection. To use social minima as a basis has a negative social impact and evokes a natural reflex of denial. Usually such a minimum, after all, does not coincide with the individual sense of consumers. This is what happens in the case of the data presented in the pamphlet, where the indices given for the consumption of various products give rise to doubts. This is the reason for my conclusion: the further concretization of the outlook for social protection and a program for getting away from the strict rationing of products could reduce the uncertainty which generally prevails. We intend to conduct further research consistently on households' reactions to the price changes.

It is not enough to propose even the fairest possible compensation. A program must be announced, a fixed mechanism to compensate for the current rise in the cost of living. This has already been discussed many times. Minister Gorski talked about prepared proposals.

There is a need to offer a clear social action program concurrent with the price reform. Otherwise the price reform will come as just one more bookkeeping measure which will not restore market balance, will not bolster incentive, and as has been said here will not be related to the principle of pay for work. If these issues are not fully explained, we should hardly be surprised that people are upset.

I would also like to mention here the results of family budget research, especially the research on the simulated effects of the price increases, as conducted by Docent Dr habilitowany B. Gorecki. This research shows that in anticipating the increase in the cost of living if we use data from the recent period we may find a low rate of compensation for expenditures, particularly for families of intermediate income and small families of two or three persons. Unfortunately, we have to expect these families to bear the brunt of the whole undertaking. It is not enough to talk about

this. Steps must be taken to reduce this burden. We must win these people over as allies of the reform and not put them on the opposition -- and there are a very great number of them.

Should we not also tell ourselves that the Polish child is unique and that we want to see that each one has proper conditions?

I am also for very strongly making a distinction between the stratum of social safeguards and that which is of incentive significance. This is a chance to say so openly. At any rate, it is worthwhile and necessary to do everything to get rid of all these uncertainties which the society is feeling and which is making it frightened about the future.

10790

CSO: 2600/259

IMPACT OF COST, PRICES ON ECONOMY REPORTED

Impact of Cost, Prices on Economy Reported

Warsaw TRYBUNA LUDU in Polish 11 Jan 82 p3

[Article by Ryszard Bilski: "The Price and the Cost -- The Reform in the Factory, the First Week"]

[Text] Monday 4 January 1982

I talked to Antoni Terwinski, a stoker at the Pollena Uroda Cosmetics Factory in Warsaw.

"Today the basic principles of the economic reform go into effect," he says, "and we are still working in the old way. The management of the work is no better. Waste is not being eliminated. People are thinking only about the rise in prices... There are too many bosses. Some of the positions are probably there only so that somebody can get paid.

"I do not understand why the boilers have to get cleaned on overtime, as they have for years. After all, this work could be done during the regular working hours, especially since we have a reserve boiler."

The factory management is unavailable. They are working on the new prices. The next day I have an appointment with the director of economic affairs, Alfred Banach.

"The salesmen will be here at 12. We are going to give them the new prices for the first time. You will see the way they react."

Bonifacy Barviko, head of production, speaks:

"The daily tasks, still computed in the old prices, amount to 9.2 million zlotys. Unfortunately, today we did not fulfill the plan. We were nearly 2 million zlotys short. The inventory of materials interfered with it."

Tuesday, 5 January 1982

The meeting with the salesman was postponed. It will take place off the plant site.

After all, there are still many unclear areas. They have to be discussed at the ministry. There were many surprises in the drafting of the new prices. It turned out that some products not only should not have their prices increased but should actually have them reduced. For example, clover shampoo should drop from 41 zlotys to 30 zlotys, mint shampoo from 45 zlotys to 37 zlotys, and nettle-burdock shampoo from 41 zlotys to 31 zlotys.

"Can I believe my ears?" I ask.

"That is right," A. Banach says. "The prices set during the past few years on novelties -- and this is just what we are talking about -- were based on tentative, inflated costs, and there is no reason to hide this fact. This is the main cause for the present differences. But there is also another reason. The tax now in effect is much lower."

The ministry's decision was that the prices on these products should remain at the previous level, which means that there would be neither the increase which had been expected nor the decreases which had not been expected.

We will have to wait for the decision on the baby oils. One and Jack i Azatka, which with the new tax (at one time there was no tax on these products) will rise in price from 45 zlotys to 111 zlotys and from 27 zlotys to 100 zlotys, respectively.

Nevertheless, these are extreme unique examples. On the average wholesale prices at the cosmetic factory will increase by 30 percent (creams by 10-15 percent, colognes and perfumes by 30-40 percent, and liquid laundry products by 30-35 percent). Therefore, prices will increase more slowly than production costs (which will rise by 45 percent). Costs as a share of production value (computed in old wholesale prices) will reach 93 percent. In other words, if a plant were to buy raw materials at the new prices and sell the goods at the old prices, it would still obtain a benefit and be at an advantage. Of course the benefit would be very small and not permit an increase in wages or allowances for other funds.

The prices presently being set are also subject to certain errors, although these errors are decidedly smaller than they have been up until now, because there are no detailed price lists for raw materials and other materials or, what is more, for partly-finished products. For example, we know how much more expensive petroleum is, but we do not know how much petroleum products will cost. Still under discussion is which compensation variant should be used. Meanwhile, this must be calculated into the costs right now. At the cosmetics factory the figure used was 1,500 zlotys per employee.

"After yesterday's setback, today is a good day, nearly 10 million zlotys. But it could be still more. The Modlina branch is at a standstill. They are out of the raw materials to produce cosmetic creams," the head of production says.

Wednesday, 6 January 1983

The new prices have been presented to commerce. The two major customers, Ruch and Spolem, accepted the factory's demands. They signed the appropriate documents. Under the new self-financing conditions these initial agreements are terribly important to the producer. If the prices had been questioned, they would have to have been reduced or other customers would have to have been sought. If no customers had been found, there would have been the danger of having to reduce production and employment. The consequences would have been severe.

"Today is also a good day, although not so good as yesterday. We exceeded the production target by tens of thousands of zlotys," says the head of production.

"And what are the comparisons with a similar period last year like?" I ask.

"In terms of value, we are doing less, but our deliveries are larger. It is simple: that the assortment of items is different, cheaper but more necessary. There are no expensive aerosols, but there are shampoos and detergents. In a word, we are turning out the essential cosmetics and household products."

Thursday, 7 January 1983

Bad news from Ruch and Spolem. They are withdrawing and actually suspending yesterday's agreement. Did they perhaps come to the conclusion that the prices are too high after deeper reflection? Nothing of the sort. The reason is altogether different. Commerce is starting to bargain with the producer over who is to print the retail price on the product packaging. Ruch and Spolem think that the producer should do it. He does not deny this but it seems that after the word "price" a blank space will be left in which the seller can write in the retail price which he after all determines.

The head of production says: "The figure is 9.3 million zlotys, which is well over 500,000 over the plan, but I am starting to worry that the approach to the end of the negotiations may slow production. The dispatch of goods is limited, and things are getting crowded in the warehouses."

Friday, 8 January 1983

The last problems are related to the problem of who is to print the price on the package. Commerce says that the price talks have to start

over again, because according to the latest news the range of regulated prices on the products of the Warsaw cosmetics factory is to be greatly expanded (according to the initial provisions only liquid detergents for the laundry, One baby oil, and one grade of shaving cream were to have been included). Hence, there will be more official prices, far fewer free prices.

The head of production says: "Today we will exceed our targets by about 100,000 zlotys, but yesterday's threat of a production slowdown is still with us. Not only are the warehouses packed, but things are getting crowded in the production halls. The reception of finished products is small. The reason for this is the extended price negotiations. Of course we are looking for substitute warehouses, but we cannot work like this for any length of time."

These are excerpts from the reporter's notebook on plant life during the first week of the new year and also the first week of the economy's shift to reform. This is undoubtedly a rather one-sided account, one which is basically devoted only to one issue, the matter of prices.

I purposely concentrated on prices, because this really was the number one subject in this factory, and it is the most important problem at the moment of the onset of the reform. Unless the prices are realistic, unless they are based on the costs really incurred, it will be impossible to introduce the principle of enterprise self-financing. For this reason we are very disturbed by the signs that this work is being prolonged, that there are problems with obtaining binding price information, and that changes are still being made, although there was time to make decisions about what sort of goods are to have the prices free and what sort are to have official prices.

The source of profit, as everyone knows, is more than just higher prices. The advantages of the factory and its workforce can also be expanded by reducing production costs. An active price policy consists not only of keeping up with growing costs. It must provide for action making it possible to slow the rise in costs or even to reduce them.

In the Warsaw cosmetics factory there are such programs. So why are they not being carried out? I was told that there are still too many unknowns, not only concerning pricing issues but also supply matters, that for example it would be premature to shift employees around in the plant or to transfer them, as has been proposed, to other work.

That is true, but after all, difficulties with materials or energy will not soon come to an end, and there is probably no justification for postponing these programs and waiting for "better times." It is their very implementation which should speed the arrival of "better times."

Imperative Need for Change

Warsaw TRYBUNA LUDU 13 Jan 82 p3

[Article by Krzysztof Krauss: "The Meaning of an Essential Operation: Concerning the Draft Price Changes"]

[Text] The prices changes which have been awaited with such uneasiness and fluctuations and have been so heatedly discussed -- we are probably all aware of this -- will not begin the moment a choice has been made as to which of the variants for the regulation of retail prices on food, heating fuel, and energy and the variants of the compensation systems will be adopted for implementation.

The price reform began 2 weeks ago, with the introduction, first of all, of the new price lists determining the conditions under which as of this 1 January enterprises will be buying basic raw materials and other materials and, secondly, of the new principles (also beginning this 1 January, except for small manufacturing, for which the date was 6 months earlier) determining who will determine prices in the reformed economy and in what manner.

Economic Necessity

The various variants for arranging retail prices on food, heating fuel, and energy and the compensation systems which the State Price Commission (PKC) presented for discussion -- and the issue has not been resolved yet -- concern a certain area which is exceptionally important to absolutely all the families in Poland without exception, an area which is vital but only part of the problem encompassing the whole network of changes in the level and structure of prices. In this case we are talking about goods for which the state will continue to set prices, owing to their social significance.

Beginning the first of the year the state is no longer directly setting the prices on most goods and services, on the other hand, that is, not for those which we find on the market but buy perhaps less frequently, although we spend more than half of family budgets on them. The production enterprises and trade organizations will set these themselves, of course with state control, using state determined regulations (based on the cost of production), but they will be on their own responsibility within the framework of the jurisdiction transferred to them.

It is therefore clear that if as the result of the wholesale price reform there is an increase in the costs of production, then this fact cannot help but have an impact on retail prices.

Then let us call the thing by its name: we are standing on the threshold of rather universal, and let us hope controlled, price increases, which is going to have an impact -- it is bound to, after all -- on the level of

the cost of living in 1982. The state is making various sorts of efforts to ease any effects on family budgets which may result from the upward motion of prices, and is especially interested in preventing any decline in the real value of income from jobs or social benefits in families which are living at or below the line of the social minimum. The current condition of the economy, on the other hand, will not permit everyone to receive full, absolute compensation. Part of them -- and this should be mainly those who find themselves in a relatively privileged material situation -- will feel the effects of the price operation keenly.

Since large social groups for some time now and the majority of the society for 2 years have been dealing with a deterioration in their material situation, why is the economic reform beginning with unpopular actions? We sometimes hear the argument of the so-called inflation gap, which means that only part of the money we receive in the form of wages, benefits, and so on is backed by goods and services. The remainder (which is quite a bit, since it amounts to several hundred billion zlotys) is printed paper and nothing more.

When Production Declines

The inflation gap is a fact, but I consider this argument to be only partly true, just as I consider there to be little justification in the rather widely disseminated hopes that price increases will suffice for shop shelves full of goods to appear before our eyes. When production declines and the distributed national income greatly exceeds created income, then wages do not remain in any sort of ratio to the effects of labor, the productivity of which decreases, and no nonrecurring pricing operations will solve anything in the long run. In this way the best that can be done is to "eliminate" -- and even this is problematic -- the existing "inflation gap."

But this does not stop the inflation machine from running.

If we do not push production up and the growing flow of money to the market continues with what is to a certain extent predetermined (a rise in the lowest wages, reform of annuities and pensions, to say nothing about the effects of doing away with limits on employment and the payroll fund), then the "inflation gap" will almost immediately come back to haunt us, and who knows whether its dimensions will not be even greater than they were before.

The meaning of the price operation, its necessity and economic virtue, consists of the fact that it is not a goal in and of itself, only an essential means of restoring to the economy the ability to develop. This is important but it is not the only condition for finally halting the economy's race to the bottom, for awakening impulses for real progress in management effectiveness, and for encouraging thinking in categories of economic cost effectiveness.

Rational Accounting

In keeping with the spirit and letter of the economic reform, which began to be implemented as of 1 January, the enterprises have become independent and take responsibility for their own financing. There are no formal barriers to their expanding initiative in all areas of their operation, without having to think about getting outside approval. What is more, since everything in the enterprise depends on the income they obtain, they must stir up initiative and earn money in order to be able to stay afloat.

On the other hand, the thing is to expand initiative and seek possibilities for improving their economic situation in such a way as to make progress using rational economic theory and non irrational. Up until now the enterprises have been "finding out," because the structure of wholesale prices on the goods and services they had been producing was such that it was the most profitable to turn out luxury goods for a relatively small circle of consumers, because these products provided the enterprises with the greatest profitability, instead of basic goods for the mass market, inasmuch as these goods brought the enterprise the least profit. It is not a question of being 'rational' in this way but of being really socially rational in keeping with the joint interest of the plant and the consumer.

Through the intermediary of the wholesale prices by which they must abide, the enterprises also "found out" that labor is expensive, but are energy and raw materials half free? A ton of coal used to cost the enterprise just about the exactly same amount as, for example, in the FRG it costs an enterprise there in West German marks. A fraction of the real costs were covered by the wholesale prices paid by the enterprise for electric power, crude oil, gas, steel, transport services, and just about all basic raw materials and other materials. Using this information to determine production costs and what will provide the enterprise with a profit, it is obvious that on the one hand there was a reluctance to turn out goods which are of basic importance to meet social needs and that on the other hand it did not pay anybody to be thrifty in the use of scarce raw materials and other materials.

It is no accident that to produce 1,000 dollars of national income we used, for example, 1.78 tons of standard fuel, while the figures were .84 tons for the FRG, .77 tons for France, and we used 210 kilograms of steel, while the FRG used 117 kilograms and France, 92 kilograms. We used 225 kilograms of cement, while the FRG used 120 and France 115, and it goes on and on like that.

The principle of the enterprises' independence and self-financing is an opportunity to awaken their activity, for them to mobilize all the untapped reserves to be found in ingenuity, organizational effectiveness, knowledge, and techniques to gradually get out of the crisis, the reserves which can be brought into the economic machinery and will finally help us -- we hope as soon as possible in the greatest possible area -- to have more and more social product to share, instead of less and less.

Difficult but Necessary

On the other hand, for the enterprises' initiative to find the proper direction for the elements of economic theory which the enterprises will use in making production decisions, they must be genuine. Costs must be costs, and profits must be profits. This is why, although it is difficult for all of us, we must go through the definitely painful course of making prices realistic, beginning with the wholesale prices which the enterprises use in making their calculations and clearing accounts with one another to the prices at which they sell their production to other enterprises and economic organizations and to the retail price which we pay in the shops.

To put this remedy off until later when things are "better" would be to cancel the whole reform and bury our chances for things ever to be better. There are countries which live in greater prosperity than we do, but there are also countries for which what we call misery would be a luxury. Which of these models do we want to strive for? In deciding in favor of steps which are often very sensitive and painful for the time being, we are opening up prospects, even if perhaps at a slow rate, for a decided path toward the former model of prosperity.

10790

CSO: 2600/239

BRIEFS

QUARTERLY PLAN CHANGES--In Issue No 1, dated 24 January 1982, we published information on the subject of the main targets of the draft plan for the first quarter of 1982, prepared by the Planning Commission. We have learned that in the course of further planning work some of the totals presented have been made more specific. The changes affect the following categories: It is estimated that the industrial production rate in the first quarter of the current year will reach 89-90 percent, equivalent to a drop in industrial production of 10-11 percent; (Table 1) crude oil refining in the first quarter will total 3.5 million tons (99 percent); (Table 2) from the overall outflow of hard coal, direct consumption for purposes included in operational programs will total 25.6 million tons; (Table 3) the first quarter share of annual industrial production will total 23.6 percent, the first quarter share of artificial fertilizer production will reach 21.8 percent, and that of phosphate fertilizers, 20.8 percent; (Table 4) it is estimated that livestock purchase for slaughter in the first quarter of the current year will reach 432,000 tons (73.8 percent), while the purchase of livestock for slaughter for the second quarter of the current year is forecast at 418,000 tons. At the same time the Planning Commission apologizes to our readers for the error that crept into the materials provided to the editors. The estimated total copper production for the first quarter can reach 80,000 tons, and not 8,000 tons (Table 1). [Warsaw ZYCIE GOSPODARCZE in Polish No 3, 7 Feb 82 p 2]

ECONOMIST HORVAT'S VIEWS SUMMARIZED, DISPUTED

Zagreb START in Serbo-Croatian No 337, 19 Dec 81 pp 12-13, 76

[Article by Slaven Letica: "Dr Horvat's Political Remedy"]

[Text] Three prestigious Yugoslav sociopolitical figures have suddenly found themselves at the center of the public's interest in recent days: Dr Jakov Sirotkovic and Dr Ivo Perisin have brought harsh criticism to bear on the views of Dr Branko Horvat presented recently in the Belgrade periodical INTERVJU [INTERVIEW]. Why has Dr Horvat updated the arguments of the so-called White Book dating from 1970, and why do Dr Sirotkovic and Dr Perisin feel that they were and have remained politically unacceptable?

Once again an interview given by Dr Branko Horvat, professor, has raised a great theoretical and political hubbub. (This time it was the interview entitled "Certain Propositions Have Been Turned Upside Down," which was originally published in the Belgrade periodical INTERVJU and reprinted in the Zagreb IZBOR, No 11, 1981.) I say "once again" because Horvat's public statements have often in the past aroused polemics, criticism and even court injunctions. There are several reasons behind this attitude toward his writing and his activity. First of all, Branko Horvat is not just "anybody" in economic theory, in economic policy, nor indeed as a public figure in general.

Equally successful as a researcher (of the economic system, of business cycles, of development and acyclical policy), as a university professor, as an organizer and supervisor of postgraduate study, as a writer (of textbooks, studies and articles), as a research institute director, as the editor of journals and books, and so on, and so on, Branko Horvat has always had the great and rare privilege (and great responsibility) of being read and listened to with attention as to both theory and political implications among professional economists and political circles at home and abroad. Along with all his virtues as a theoretician which we have mentioned, he has always had one other rare characteristic as well: he has made his views public even when he knew that they had virtually no value in day-to-day politics (his reforms, his debates with the nationalistic economic conceptions in 1971, and so on, are famous).

Precisely because Branko Horvat is what he is, I think it is valuable to devote a bit of attention to an analysis of his views as expressed in the interview we mentioned and the views of his critics. Especially since the authority of those critics in both theory and politics is just as great as Horvat's.

It is sufficient to say, for example, that at the 16th Meeting of the Croatian LC Central Committee (held 4-5 November 1981) Dr Jakov Sirotkovic (professor, president of the Yugoslav Academy of Sciences and Arts in Zagreb, a prestigious scholar and teacher and equally prestigious sociopolitical figure) and Dr Ivo Perisin (a professor, scholar and economist who is equally well known) took issue with Horvat's views for one to conclude that we are not dealing here with any ordinary spat about theory and politics. This becomes still more obvious when one takes into account the fact that the criticism of Horvat's views was already implicit in the opening address delivered by Milka Planinc.

Nevertheless, even the most thoughtful reader of Horvat's interview and of his critics will have a hard time getting at the gist of the conflict over theory and politics. Let us in any case briefly outline the arguments contained in the interview and the critical responses to it.

The Interview

As far as the interview goes, we shall dwell on that part of it which has been subjected to explicit criticism. Horvat speaks about the "fate" of two books: who wrote them, on whose commission (he wrote them both with a group of his colleagues), what purpose were they supposed to serve (practical political action), and why did they not serve that purpose (because they were "expelled from the debate").

The first, the so-called Yellow Book, was prepared in 1961 to meet the needs of the federal government. The second, which is referred to the White Book (whose title he also gives in full: "Ekonomске funkcije federacije" [Economic Functions of the Federation]) was prepared for the same client in late 1970. In Horvat's judgment, both books were supposed to be of use in two reforms: the first (Yellow) the famous 1965 economic reform, and the second (White) the 1970-1971 reform of the Federation.

In Horvat's view, the proposals of the Yellow Book were used only partially. He goes on to say that only the short-term proposals were used (he says: "... adjustments were made, and in 1963 we had one of the best postwar years on the basis of all economic parameters"), but not the long-range proposals ("... those long-range [proposals] which required certain reforms were forgotten"). The fate of the White Book, Horvat says, was considerably worse: its proposals were not only not accepted, but it was not even debated in public at all ("for reasons which have never been officially explained to me, someone prevented the discussion, so that the document was indeed distributed, but the public discussion concerning it was never held").

The concluding messages of the interview are clear (Horvat suggests them clearly in the interview).

The first is explicitly stated: the economic system is conceptually untenable: "... the self-management system of economic activity in Yugoslavia cannot be stabilized with the mode of operation which has been devised over the last 10 years. That system and the economic policy based on it are conceptually erroneous. We need a reform which will correct both the institutions and that economic policy. Otherwise we have no reason to expect stabilization.

The second, which was implicit, is consistently drawn from the logic of the entire interview: the proposals of the White and Yellow Books would be (that is, were) conceptually appropriate.

The Critical Responses

Before making any comment at all, let us look at the critical responses to Horvat's interview. Sirotkovic's criticism is the most thoroughgoing and explicit (he does not speak about "certain views" and "certain theorists," but about Branko Horvat and his views): "A very critical discussion of the present situation is carried on from the positions of that book (the White Book), but actually we are talking about a pamphlet which cannot be said to be scientific in nature and which is a kind of catechism of statist Keynesianism" (quoted from the authorized text published in OKO, 26 November 1981, page 10). Sirotkovic explains the motivation for his own critical statement by observing that he would not take issue with Horvat's interview "if it were not a question of reviving such views even today and indeed even of projecting them as proposals for solving current problems, which is the case with the paper entitled 'The System of Social Planning--Status, Problems and Solutions' (prepared by a consortium of economics institutes in September 1981), which was written on commission from and for the purposes of the Federal Social Council for the Affairs of the Social System...." In his criticism Sirotkovic emphasizes the obvious tie-up between the 1971 White Book and the 1981 paper of the economics institutes, thereby broadening his criticism of Horvat's interview to economic science as practiced by the institutes. He says: "There is an obvious continuity in the views which I have mentioned in connection with the situation from the early sixties, the White Book from the early seventies, and this 1981 paper of the consortium of institutes. In a meeting of the republic councils we were unanimous in the judgment that this was a paper proposing solutions from ideologically unacceptable positions, which goes back precisely to profit as the driving motivation, which aims at centralistic regulation of accumulation and personal incomes as the prerequisite of optimum distribution, which treats our system as a planned market system, which identifies the market with the driving motivation, and which is actually aimed toward expanding the market and returning it from a market of goods to a market of manpower and capital.

"One must therefore be both critical and cautious concerning such conceptions, which are being passed off as science, just as we must ask what are the grounds for nurturing such conceptions in our institutes and for their adoption as the basis for examination of our society's current affairs."

Dr Ivo Perisin took up exactly the same political and theoretical position in his statement in the discussion. In addition, he generalizes his criticism so that it embraces all advocates of theses that call for centralizing and programming accumulation (and for programming personal incomes). Perisin also presents the thesis that behind these views stand not merely disagreements over theory, but "... a profound and fateful difference over fundamental social commitments. Their points of departure, not their words, originate in another concept--a concept which prevents setting up the self-managing organization of society, those new relations, the new vehicles of social development and the new driving forces."

The White Book and the Reform of the Federation

Now that I have presented the basic views of Horvat, Sirotkovic and Perisin, the observation that reading the interview and the critical responses does not help very much in understanding the essence of the dispute over theory will be clear to the reader. It is for that reason that I thought it worthwhile to substantiate and comment on the gist of the conflict so that the reader might make a competent judgment of it.

So, what did Horvat offer in his (and his collaborators') White Book? Why was what he offered not accepted, and would it--had it been accepted--be better today if politics had heeded science, i.e., the White Book, i.e., Branko Horvat and his collaborators?

The White Book, as its real title "Ekonomске funkcije federacije" says, discusses definition of a model of "reform of the Federation." Since the topic of the reform of the Federation was the principal subject matter of extensive sociopolitical actions (above all of the League of Communists) between 1969 and 1971, it seems logical for the Federal Executive Council to seek the opinion of a group of economics scientists as to their view of this matter. Certainly, it seems still more logical that economic interests (the interests of economic optimality) and views should not be the only ones, nor even the most important ones in the self-managing democratic procedure of defining the new model of Yugoslav federalism. After all, as is well known, the reform of the Federation was motivated by the interests of degovernmentalization--the interests of the League of Communists' campaign against the tendencies of administrative centralization and distribution of accumulation and the search for an optimum model of regulation of (all) interests of the republics and nationalities. So, the interests of class emancipation and emancipation of the nationalities (the campaign against state capital, statism and bureaucracy) spoke louder against the old "model of the Federation" than did the interests of economic performance.

On the other hand--altogether in line with its character--the White Book emphasized the interest of economic optimization of the model of the Federation rather than the interests of a general legal and political (social, social-revolutionary-class) emancipation.

But even if we leave to one side this broader context of the reform of the Federation--which Horvat obviously does not want to take into account--an analysis of the content of the White Book and an analysis of the content of the legal and constitutional reform of the federation do not yield grounds for the conclusion that the model of the Federation contained in the White Book was more optimal even from an economic viewpoint. We will try to explain this view more precisely.

The economic model of the Federation adopted in the constitution is a very simple one:

First, the Federation has only those economic functions which have been passed on to it by general consensus of all the republics and provinces in the constitution (the "list" of those task-functions is contained in Article 281 of the SFRY Constitution).

Second, the Federation sees to the functioning of the unified Yugoslav market (the basic principles of the unified nature of the market are defined in Article 252 of the constitution).

Third, the Federation has no rights whatsoever to manage and dispose of the resources of society in the sphere of expanded reproduction, nor may the Federation establish any sort of funds or assume obligations unless it has the consent of the constitution or of the assemblies of the republics and provinces.

Fourth, a fund for the credit financing of the development of the underdeveloped republics and provinces has been established at the level of the Federation (Article 258).

Fifth, the instruments for coordination and regulation of relations in the Federation are as follows: the Social Plan of Yugoslavia, social compacts, and so on.

This economic and political model of the Federation has been adopted by consensus of all the republics and provinces. The political views concerning reform of the Federation have been adopted in conceptual terms already at a conference of the LCY held in Belgrade from 29 to 31 October 1970 (which indeed was attended by Dr Jakov Sirotkovic). The position on abolishing all the original economic functions of the Federation and especially its role in expanded reproduction has attained general political legitimacy from the republics and provinces. This needs to be emphasized because certain "theorists" like to play around with the view that the reform of the Federation is not a consequence of the revolutionary and democratic action of the LCY, but a consequence of its opportunism vis-a-vis "nationalism pressure." Tito presented the case for the reform of the Federation back at the Ninth LCY Congress: "We are renouncing statism because it has proven itself incapable of resolving social contradictions and the problems of effective development and because it is unacceptable from the standpoint of developing humane socialist social relations."

The White Book was published in December 1970, several months after the LCY Conference had already defined the model of the Federation in political terms. That delay could in and of itself have been the reason for "preventing discussion," as Horvat calls it.

A Battery of Federal Institutions

Leaving this fact to one side, let us discuss the case on its merits, i.e., let us compare the models of the Federation contained in the White Book and the SFFY Constitution.

Since the last (chronologically) version of the White Book's model is contained in the paper which Branko Horvat prepared for the Fourth Congress of the Federation of Yugoslav Economists, held from 27 to 29 October 1971, I will analyze that model (as published in the journal *EKONOMIST*, No 3-4, 1971; Branko Horvat: "An institutional model of a self-managed socialist economy."

In that paper Horvat offers a survey in words and diagrams of all the economic functions (and institution) of what are for him the three elementary participants in the economic process in our system: (1) the Federation, (2) the republics and (3) the enterprises; the fourth participant--the commune--he does not analyze because, as he says, he is not sufficiently "familiar" with it.

For the Federation to successfully perform its three basic (according to Horvat) functions in economic development: equalizing economic conditions, achieving short-term economic equilibrium and achieving long-term economic equilibrium, it must possess a battery of institutions.

In support of the author we must immediately mention the fact that he defines the "Federation" in the introduction in functional terms rather than institutional terms. He writes: "... the Federation is in this context a synonym for adoption of unified, that is, central or general social, decisions. But the fact that decisions are unified does not predetermine the way in which they are adopted, that depending on the political regime and organizational solutions. That manner may be autocratic or oligarchic, or it may be democratic and participatory. In particular, the Federation, as I define it, is not identical with the federal government, nor central decisions with bureaucratic arbitrariness...."

We will present the battery of institutions, i.e., the proposed federal function-institutions, by dividing them into three groups; in the first group will be institutions which already exist as institutions in the constitutional model of the Federation; we will make up a second group with institutions which also exist functionally in the constitutional model in a somewhat altered organizational and legal-political form; and we will create a third group with the institutions of the White Book which do not exist in our constitutional model.

1. The institutions proposed in the White Book that exist in the constitutional model and their functions: 1) the economic secretariat (function: central regulation of the economic system); 2) national bank (function: direct relation of the money market and the system of commercial banks); 3) social accounting service (function: monitoring money flows and legality of business operation); 4) the first "information factory"--the Federal Bureau of Statistics (function: "... produces information about the past"), 5) the second "information factory"--the Federal Bureau for Economic Planning (function: "... produces information about the future"); 6) Bureau of Prices (function: specialized agency for monitoring and controlling prices); and 7) Fund for Underdeveloped Areas (function: aiding development of the underdeveloped).

2. Institutions proposed by the White Book which also exist as function-tasks of the Federation in the constitutional model: 1) Directorate for Agricultural Commodities (this is a "compensation fund" which would guarantee prices and the supply of farm products to the market); 2) Directorate for Industrial Raw Materials (i.e., "compensation fund" for the same purpose in the case of raw materials), and 3) export fund (function: general and financial protection and promotion of exports).

3. Institutions of the White Book which the constitutional model of the Federation "did not adopt":

a) Interventionary investment fund to which Horvat would give a dual purpose: "(a) to participate in financing those projects which require an exceptionally large concentration of capital and/or long construction time and (b) to intervene in eliminating disproportions as to capacity ... whenever the market for whatever reason is unable to adjust supply and demand adequately" (Horvat also proposes republic-provincial interventionary investment funds).

b) An arbitration commission for income and prices: this is an altogether new institution whose purpose would be to combat market or administrative monopolies and abuses or, and I quote: "The arbitration commission would function much like a constitutional court, would be made up of elected representatives of the economy, the trade unions, science and the government, representatives appointed by assemblies for an indefinite period, and it would render definitive decisions binding upon all parties, including the government. The arbitration commission would be a guarantee that political bodies and agencies actually do achieve equalization of the conditions for conduct of economic activity."

c) A council of economic advisers consisting of top-level economists "could play an extremely important role in bringing science into the shaping of economic policy."

d) "A bureau for programming scientific research programs, together with a corresponding fund, ought to ensure an orientation toward that research which is most promising from the standpoint of the country."

For this economic model of the Federation to be altogether clear we also need to mention the fundamental position taken by Dr Branko Horvat and the economic model of the republics and provinces: "Whereas the function of the republic in the economic domain is relatively modest by the nature of the thing, it is basic in the noneconomic sphere. That is why only councils whose role is that of information and coordination have been left at the level of the Federation. The bodies of the republic shape and implement policy in the fields of education, culture, health care, and so on."

This kind of economic function of the republic-province is a logical consequence of the author's view that: "... only federal regulation of the economic system, through economic policy and planning (i.e., central, that is, of the entire society, that is, unified for the entire economy) is a necessary condition of authentic self-management."

The Nature of the Conflict Over Theory and Politics Between Horvat and the Rest

The economic functions of the Federation as set forth in the White Book which "were not (constitutionally) adopted" vary in their nature. The investment function was not acceptable because of the interests of the development of self-management, but still more because of the need to break up the institutional reproduction of so-called state capital, the debates on which in late 1971 had become a pivot for nationalistic retribution (and even earlier in 1969 the issue in the so-called "highway affair" in Slovenia). We might call the second function of the Federation advocated by Horvat the scientific function. Certainly, that is also a necessary function (nor is it politically doubtful), but as a principle of

activity, not solely in the form of a specific federal fund and institution. As for the "Council of Economic Advisers," this should be seen as an interesting proposal, and such a "council" does exist in a way in the form of the federal councils for the economic system and for economic policy.

The basic and essential difference between the economic model of the Federation in the White Book and the constitution concerns the existence of the central "interventionary investment fund" and central regulation of the economic system.

Even if we set aside what is politically and theoretically impossible to "set aside"--the political fact that the funds could no longer continue to exist--it is difficult to believe that the investment funds--even from the standpoint of economism--would ensure any sort of economic optimization of the system. Why? Simply because in reality centralizing and concentrating accumulation in our context has never proved to be any sort of problem at all! As a matter of fact, it was never easier to build mammoth investment projects than in the period after the reform of the Federation. The state (we use the term advisedly) has had no problem at all concentrating funds for investment even when formal law and the constitution state that it had no right whatsoever to do that. Centralization was achieved without a bit of trouble by contracting foreign indebtedness, through the hyperproduction of money and credit, and through the system of taxes and contributions. The case has always been that the bank-state mechanism has possessed 60-70 percent of the funds intended for investment projects, and the economic and self-managing mechanism only whatever was left. To be sure, it is difficult to judge which system of handling accumulation was worse: the previous one, through funds, which was statist even in formal terms, or the present one, which is self-managing in formal terms, but is actually statist.

In the light of all these circumstances it was necessary to substantiate the thesis that the White Book would not bring anything better, not even in economic terms; while in political terms its adoption in 1971 would have meant the absolute impossibility of resolving the political crisis of that time. That is why Horvat's suggestion that it is a sin and a shame that the White Book "was not heeded" objectively signifies an attempt to return the theoretical discussions to the period of 1961-1971.

But that return, because of the extreme political sensitivity, would objectively mean a diversion of attention from dilemmas as to theory to political dilemmas.

Reduction of all these problems and dilemmas to only one, whatever it might be, could become the basis of broader reductionist views in the fields of theory and economic policy.

END OF

FICHE

DATE FILMED

FEB 25-82
